CH ENERGY GROUP, INC.
&
CENTRAL HUDSON GAS & ELECTRIC CORP.

QUARTERLY FINANCIAL REPORT

for the period ended

SEPTEMBER 30, 2021

QUARTER ENDED SEPTEMBER 30, 2021

TABLE OF CONTENTS

FINANCIAL STATEMENTS (UNAUDITED)

CH ENERGY GROUP
CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
(In Thousands)

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Operating Revenues				
Electric	$ 158,630	$ 149,732	$ 450,387	$ 414,374
Natural gas	20,037	19,040	121,784	111,297
Total Operating Revenues	178,667	168,772	572,171	525,671
Operating Expenses				
Operation:				
Purchased electricity	46,750	38,801	127,405	107,096
Purchased natural gas	3,267	2,045	34,139	28,570
Other expenses of operation - regulated activities	84,002	73,814	243,347	228,571
Other expenses of operation - non-regulated	37	46	121	175
Depreciation and amortization	18,132	16,926	53,916	50,324
Taxes, other than income tax	16,578	16,037	55,261	50,848
Total Operating Expenses	168,766	147,669	514,189	465,584
Operating Income	9,901	21,103	57,982	60,087
Other Income and Deductions				
Income from unconsolidated affiliates	496	379	1,446	1,078
Interest on regulatory assets and other interest income	586	402	2,313	1,740
Regulatory adjustments for interest costs	(190)	(144)	(553)	(31)
Non-service cost components of pension and other post-employment benefits ("OPEB")	5,226	4,437	15,677	13,309
Other - net	837	174	1,888	1,657
Total Other Income	6,955	5,248	20,771	17,753
Interest Charges				
Interest on long-term debt	8,491	8,304	25,437	24,511
Interest on regulatory liabilities and other interest	470	550	2,090	1,760
Total Interest Charges	8,961	8,854	27,527	26,271
Income Before Income Taxes	7,895	17,497	51,226	51,569
Income Tax Expense	1,120	3,055	8,557	9,328
Net Income	$ 6,775	$ 14,442	$ 42,669	$ 42,241

CH ENERGY GROUP
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
(In Thousands)

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Net Income	$ 6,775	$ 14,442	$ 42,669	$ 42,241
Other Comprehensive Income:				
Employee future benefits - net of tax expense	36	35	107	106
Comprehensive Income	$ 6,811	$ 14,477	$ 42,776	$ 42,347

The accompanying notes are an integral part of these condensed financial statements.

CH ENERGY GROUP
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
(In Thousands)

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Operating Activities:		
Net income	$ 42,669	$ 42,241
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation	44,056	41,168
Amortization	9,860	9,156
Deferred income taxes - net	7,268	8,368
Uncollectible expense	5,305	5,734
Undistributed equity in earnings of unconsolidated affiliates	(1,366)	(806)
Pension expense	1,583	1,836
OPEB credit	(4,332)	(4,985)
Regulatory liability - rate moderation	(9,224)	(10,452)
Regulatory asset - revenue decoupling mechanism ("RDM") recorded	23,566	17,367
Changes in operating assets and liabilities - net:		
Accounts receivable, unbilled revenues and other receivables	(8,328)	4,597
Fuel, materials and supplies	(475)	1,399
Special deposits and prepayments	(5,218)	3,534
Income and other taxes	1,085	1,191
Accounts payable	(299)	919
Accrued interest	2,836	4,105
Customer advances	(405)	(1,298)
Other advances	8,648	3,199
Coronavirus Aid, Relief, and Economic Security ("CARES") Act - deferred payroll tax	-	3,706
Pension plan contribution	(1,106)	(845)
OPEB contribution	(812)	(1,081)
Regulatory asset - RDM refunded	(27,090)	(10,471)
Regulatory asset - RY 3 - delayed electric and natural gas delivery rate increase	4,590	(6,729)
Regulatory asset - major storm	(8,573)	(12,687)
Regulatory asset - site investigation and remediation ("SIR")	3,819	3,625
Regulatory liability - energy efficiency programs including clean energy fund	(13,124)	(9,004)
Regulatory asset - rate adjustment mechanisms ("RAM")	7,700	7,187
Regulatory asset - deferred natural gas and electric costs	(7,841)	9,446
Other - net	14,960	8,464
Net cash provided from operating activities	89,752	118,884
Investing Activities:		
Additions to utility plant	(167,093)	(187,612)
Other - net	(7,790)	(4,635)
Net cash used in investing activities	(174,883)	(192,247)
Financing Activities:		
Repayment of long-term debt	(45,053)	(40,844)
Proceeds from issuance of long-term debt	75,000	100,000
Net change in short-term borrowings	55,000	-
Capital contribution	9,396	15,000
Other - net	(416)	(574)
Net cash provided from financing activities	93,927	73,582
Net Change in Cash, Cash Equivalents and Restricted Cash	8,796	219
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	12,807	21,075
Cash, Cash Equivalents and Restricted Cash at End of Period	$ 21,603	$ 21,294
Supplemental Disclosure of Cash Flow Information:		
Interest paid, net of amounts capitalized	$ 21,664	$ 19,503
Federal and state income taxes paid (refunded), net	$ 231	$ (26)
Non-Cash Operating Activities:		
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$ 387	$ -
Non-Cash Investing Activities:		
Accrued capital expenditures	$ 18,964	$ 20,659

The accompanying notes are an integral part of these condensed financial statements.

CH ENERGY GROUP
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
(In Thousands)

	September 30, 2021	December 31, 2020	September 30, 2020
ASSETS			
Utility Plant (Note 3)			
Electric	$ 1,667,406	$ 1,625,696	$ 1,590,922
Natural gas	718,892	677,646	660,263
Common	407,384	339,329	331,276
Gross Utility Plant	2,793,682	2,642,671	2,582,461
Less: Accumulated depreciation	645,948	611,471	612,887
Net	2,147,734	2,031,200	1,969,574
Construction work in progress	120,574	126,012	139,666
Net Utility Plant	2,268,308	2,157,212	2,109,240
Non-utility property & plant	524	524	524
Net Non-Utility Property & Plant	524	524	524
Current Assets			
Cash and cash equivalents (Note 1)	9,726	11,480	19,967
Accounts receivable from customers - net of allowance for uncollectible accounts of $10.1 million, $9.4 million and $6.9 million, respectively (Note 2)	87,312	77,194	69,165
Accounts receivable - affiliates (Note 17)	598	1,350	1,032
Accrued unbilled utility revenues - net of allowance for uncollectible accounts of $1.1 million, $1.0 million and $0.6 million, respectively (Note 2)	19,125	26,836	17,731
Other receivables	12,895	11,527	14,055
Fuel, materials and supplies (Note 1)	24,152	23,677	24,812
Regulatory assets (Note 4)	55,953	57,079	42,479
Income tax receivable	-	486	-
Fair value of derivative instruments (Note 15)	13,708	18	1,390
Special deposits and prepayments	37,429	32,211	23,276
Total Current Assets	260,898	241,858	213,907
Deferred Charges and Other Assets			
Regulatory assets - deferred pension costs (Note 4)	1,434	7,551	-
Regulatory assets - other (Note 4)	171,083	162,772	154,067
Prefunded OPEB costs	9,317	6,497	15,314
Investments in unconsolidated affiliates (Note 6)	12,940	9,434	9,975
Other investments (Note 16)	57,549	47,912	47,515
Other	20,474	10,364	10,714
Total Deferred Charges and Other Assets	272,797	244,530	237,585
Total Assets	$ 2,802,527	$ 2,644,124	$ 2,561,256

The accompanying notes are an integral part of these condensed financial statements.

CH ENERGY GROUP
CONDENSED CONSOLIDATED BALANCE SHEET (CONT'D) (UNAUDITED)
(In Thousands, except share amounts)

	September 30, 2021	December 31, 2020	September 30, 2020
CAPITALIZATION AND LIABILITIES			
Capitalization (Note 10)			
CH Energy Group Common Shareholders' Equity			
Common Stock (30,000,000 shares authorized: $0.01 par value; 15,961,400 shares issued and outstanding)	$ 160	$ 160	$ 160
Paid-in capital	433,802	424,406	424,406
Retained earnings	474,017	431,348	404,486
Accumulated other comprehensive loss	(54)	(161)	(293)
Total Equity	907,925	855,753	828,759
Long-term debt (Note 10)			
Principal amount	852,144	801,510	772,443
Unamortized debt issuance costs	(4,927)	(4,795)	(4,719)
Net long-term debt	847,217	796,715	767,724
Total Capitalization	1,755,142	1,652,468	1,596,483
Current Liabilities			
Current maturities of long-term debt (Note 10)	25,300	45,987	45,927
Short-term borrowings (Note 8)	70,000	15,000	-
Accounts payable	58,489	59,081	50,383
Accounts payable - affiliates (Note 17)	-	-	158
Accrued interest	10,450	7,614	11,138
Accrued vacation and payroll	12,072	11,681	11,019
Customer advances	14,888	15,293	13,606
Customer deposits	7,714	7,564	7,633
Regulatory liabilities (Note 4)	90,133	89,006	96,791
Fair value of derivative instruments (Note 15)	-	2,153	311
Accrued environmental remediation costs (Note 13)	9,032	21,020	17,254
Accrued income and other taxes	620	-	401
Other current liabilities	41,512	43,433	41,022
Total Current Liabilities	340,210	317,832	295,643
Deferred Credits and Other Liabilities			
Regulatory liabilities - deferred pension costs (Note 4)	-	-	5,354
Regulatory liabilities - deferred OPEB costs (Note 4)	11,542	13,540	23,615
Regulatory liabilities - other (Note 4)	286,219	276,600	277,346
Operating reserves	5,250	4,970	4,660
Accrued environmental remediation costs (Note 13)	63,395	53,883	66,436
Accrued pension costs (Note 11)	23,283	25,340	11,643
Tax reserve (Note 5)	-	-	4,237
Other liabilities	50,612	40,566	38,740
Total Deferred Credits and Other Liabilities	440,301	414,899	432,031
Accumulated Deferred Income Tax	266,874	258,925	237,099
Commitments and Contingencies			
Total Capitalization and Liabilities	$ 2,802,527	$ 2,644,124	$ 2,561,256

The accompanying notes are an integral part of these condensed financial statements.

CH ENERGY GROUP

CONDENSED CONSOLIDATED STATEMENT OF EQUITY (UNAUDITED)

(In Thousands, except share amounts)

	Nine Months Ended September 30, 2021										
	Common Stock										
	Shares Issued		Amount		Paid-In Capital		Retained Earnings		AOCI*		Total Equity
Balance at December 31, 2020	15,961,400	$	160	$	424,406	$	431,348	$	(161)	$	855,753
Net income							31,093				31,093
Contribution from Parent					4,996						4,996
Employee future benefits, net of tax									35		35
Balance at March 31, 2021	15,961,400	$	160	$	429,402	$	462,441	$	(126)	$	891,877
Net income							4,801				4,801
Employee future benefits, net of tax									36		36
Balance at June 30, 2021	15,961,400	$	160	$	429,402	$	467,242	$	(90)	$	896,714
Net income							6,775				6,775
Capital contribution					4,400						4,400
Employee future benefits, net of tax									36		36
Balance at September 30, 2021	15,961,400	$	160	$	433,802	$	474,017	$	(54)	$	907,925

	Nine Months Ended September 30, 2020										
	Common Stock										
	Shares Issued		Amount		Paid-In Capital		Retained Earnings		AOCI*		Total Equity
Balance at December 31, 2019	15,961,400	$	160	$	409,406	$	363,445	$	(399)	$	772,612
Accounting Standard Adoption – cumulative effect adjustment (Note 1)							(1,200)				(1,200)
Net income							26,149				26,149
Employee future benefits, net of tax									35		35
Balance at March 31, 2020	15,961,400	$	160	$	409,406	$	388,394	$	(364)	$	797,596
Net income							1,650				1,650
Employee future benefits, net of tax									36		36
Balance at June 30, 2020	15,961,400	$	160	$	409,406	$	390,044	$	(328)	$	799,282
Net income							14,442				14,442
Capital contribution					15,000						15,000
Employee future benefits, net of tax									35		35
Balance at September 30, 2020	15,961,400	$	160	$	424,406	$	404,486	$	(293)	$	828,759

*Accumulated other comprehensive income (loss)

The accompanying notes are an integral part of these condensed financial statements.

CENTRAL HUDSON
CONDENSED STATEMENT OF INCOME (UNAUDITED)
(In Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating Revenues				
Electric	$ 158,630	$ 149,732	$ 450,387	$ 414,374
Natural gas	20,037	19,040	121,784	111,297
Total Operating Revenues	178,667	168,772	572,171	525,671
Operating Expenses				
Operation:				
Purchased electricity	46,750	38,801	127,405	107,096
Purchased natural gas	3,267	2,045	34,139	28,570
Other expenses of operation	84,002	73,814	243,347	228,571
Depreciation and amortization	18,132	16,926	53,916	50,324
Taxes, other than income tax	16,568	16,033	55,234	50,832
Total Operating Expenses	168,719	147,619	514,041	465,393
Operating Income	9,948	21,153	58,130	60,278
Other Income and Deductions				
Interest on regulatory assets and other interest income	586	401	2,313	1,735
Regulatory adjustments for interest costs	(190)	(144)	(553)	(31)
Non-service cost components of pension and OPEB	5,233	4,442	15,699	13,326
Other - net	861	258	1,901	1,720
Total Other Income	6,490	4,957	19,360	16,750
Interest Charges				
Interest on long-term debt	8,327	8,110	24,917	23,902
Interest on regulatory liabilities and other interest	470	550	2,090	1,760
Total Interest Charges	8,797	8,660	27,007	25,662
Income Before Income Taxes	7,641	17,450	50,483	51,366
Income Tax Expense	944	3,036	8,046	9,221
Net Income	$ 6,697	$ 14,414	$ 42,437	$ 42,145

CENTRAL HUDSON
CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
(In Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net Income	$ 6,697	$ 14,414	$ 42,437	$ 42,145
Other Comprehensive Income:				
Employee future benefits - net of tax expense	36	35	107	106
Comprehensive Income	$ 6,733	$ 14,449	$ 42,544	$ 42,251

The accompanying notes are an integral part of these condensed financial statements.

CENTRAL HUDSON
CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
(In Thousands)

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Operating Activities:		
Net income	$ 42,437	$ 42,145
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation	44,056	41,168
Amortization	9,860	9,156
Deferred income taxes - net	6,975	8,334
Uncollectible expense	5,305	5,734
Pension expense	1,583	1,836
OPEB credit	(4,332)	(4,985)
Regulatory liability - rate moderation	(9,224)	(10,452)
Regulatory asset - RDM recorded	23,566	17,367
Changes in operating assets and liabilities - net:		
Accounts receivable, unbilled revenues and other receivables	(8,954)	4,644
Fuel, materials and supplies	(475)	1,399
Special deposits and prepayments	(5,218)	3,511
Income and other taxes	1,071	805
Accounts payable	752	1,126
Accrued interest	2,673	3,913
Customer advances	(405)	(1,298)
Other advances	8,648	3,199
CARES Act - deferred payroll tax payments	-	3,706
Pension plan contribution	(1,106)	(845)
OPEB contribution	(812)	(1,081)
Regulatory asset - RDM refunded	(27,090)	(10,471)
Regulatory asset - RY 3 - delayed electric and natural gas delivery rate increase	4,590	(6,729)
Regulatory asset - major storm	(8,573)	(12,687)
Regulatory asset - SIR	3,819	3,625
Regulatory liability - energy efficiency programs including clean energy fund	(13,124)	(9,004)
Regulatory asset - RAM	7,700	7,187
Regulatory asset - deferred natural gas and electric costs	(7,841)	9,446
Other - net	15,639	8,859
Net cash provided from operating activities	91,520	119,608
Investing Activities:		
Additions to utility plant	(167,093)	(187,612)
Other - net	(5,550)	(4,598)
Net cash used in investing activities	(172,643)	(192,210)
Financing Activities:		
Repayment of long-term debt	(44,150)	(40,000)
Proceeds from issuance of long-term debt	75,000	100,000
Net change in short-term borrowings	55,000	-
Capital contribution	6,000	12,000
Other - net	(416)	(574)
Net cash provided from financing activities	91,434	71,426
Net Change in Cash, Cash Equivalents and Restricted Cash	10,311	(1,176)
Cash, Cash Equivalents and Restricted Cash - Beginning of Period	5,194	15,086
Cash, Cash Equivalents and Restricted Cash - End of Period	$ 15,505	$ 13,910
Supplemental Disclosure of Cash Flow Information:		
Interest paid, net of amounts capitalized	$ 21,306	$ 19,086
Federal and state income taxes paid, net	$ 1,493	$ 263
Non-Cash Operating Activities:		
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$ 387	$ -
Non-Cash Investing Activities:		
Accrued capital expenditures	$ 18,964	$ 20,659

The accompanying notes are an integral part of these condensed financial statements.

CENTRAL HUDSON

CONDENSED BALANCE SHEET (UNAUDITED)

(In Thousands)

	September 30, 2021	December 31, 2020	September 30, 2020
ASSETS			
Utility Plant (Note 3)			
Electric	$ 1,667,406	$ 1,625,696	$ 1,590,922
Natural gas	718,892	677,646	660,263
Common	407,384	339,329	331,276
Gross Utility Plant	2,793,682	2,642,671	2,582,461
Less: Accumulated depreciation	645,948	611,471	612,887
Net	2,147,734	2,031,200	1,969,574
Construction work in progress	120,574	126,012	139,666
Net Utility Plant	2,268,308	2,157,212	2,109,240
Non-Utility Property and Plant	524	524	524
Net Non-Utility Property and Plant	524	524	524
Current Assets			
Cash and cash equivalents (Note 1)	3,628	3,867	12,583
Accounts receivable from customers - net of allowance for uncollectible accounts of $10.1 million, $9.4 million and $6.9 million, respectively (Note 2)	87,312	77,194	69,165
Accrued unbilled utility revenues - net of allowance for uncollectible accounts of $1.1 million, $1.0 million and $0.6 million, respectively (Note 2)	19,125	26,836	17,731
Other receivables	12,958	11,715	14,193
Fuel, materials and supplies (Note 1)	24,152	23,677	24,812
Regulatory assets (Note 4)	55,953	57,079	42,479
Fair value of derivative instruments (Note 15)	13,708	18	1,390
Special deposits and prepayments	37,429	32,211	23,276
Total Current Assets	254,265	232,597	205,629
Deferred Charges and Other Assets			
Regulatory assets - deferred pension costs (Note 4)	1,434	7,551	-
Regulatory assets - other (Note 4)	171,083	162,772	154,067
Prefunded OPEB costs	9,317	6,497	15,314
Other investments	56,557	47,020	46,652
Other	20,473	10,364	10,714
Total Deferred Charges and Other Assets	258,864	234,204	226,747
Total Assets	$ 2,781,961	$ 2,624,537	$ 2,542,140

The accompanying notes are an integral part of these condensed financial statements.

CENTRAL HUDSON

CONDENSED BALANCE SHEET (CONT'D) (UNAUDITED)

(In Thousands, except share amounts)

	September 30, 2021	December 31, 2020	September 30, 2020
CAPITALIZATION AND LIABILITIES			
Capitalization (Note 10)			
Common Stock (30,000,000 shares authorized: $5 par value; 16,862,087 shares issued and outstanding)	$ 84,311	$ 84,311	$ 84,311
Paid-in capital	280,452	274,452	274,452
Accumulated other comprehensive loss	(54)	(161)	(293)
Retained earnings	540,835	498,398	471,402
Capital stock expense	(4,633)	(4,633)	(4,633)
Total Equity	900,911	852,367	825,239
Long-term debt (Note 10)			
Principal amount	844,400	792,800	762,800
Unamortized debt issuance costs	(4,887)	(4,748)	(4,670)
Net long-term debt	839,513	788,052	758,130
Total Capitalization	1,740,424	1,640,419	1,583,369
Current Liabilities			
Current maturities of long-term debt (Note 10)	23,400	44,150	44,150
Short-term borrowings (Note 8)	70,000	15,000	-
Accounts payable	59,365	58,906	51,109
Accrued interest	10,258	7,585	10,911
Accrued vacation and payroll	12,072	11,681	11,019
Customer advances	14,888	15,293	13,606
Customer deposits	7,714	7,564	7,633
Regulatory liabilities (Note 4)	90,133	89,006	96,791
Fair value of derivative instruments (Note 15)	-	2,153	311
Accrued environmental remediation costs (Note 13)	9,032	21,020	17,254
Accrued income and other taxes	1,071	-	1,078
Other current liabilities	39,632	41,384	39,064
Total Current Liabilities	337,565	313,742	292,926
Deferred Credits and Other Liabilities			
Regulatory liabilities - deferred pension costs (Note 4)	-	-	5,354
Regulatory liabilities - deferred OPEB costs (Note 4)	11,542	13,540	23,615
Regulatory liabilities - other (Note 4)	286,219	276,600	277,346
Operating reserves	5,250	4,970	4,660
Accrued environmental remediation costs (Note 13)	63,395	53,883	66,436
Accrued pension costs	23,051	25,107	11,411
Tax reserve (Note 5)	-	-	3,924
Other liabilities	48,506	37,946	36,285
Total Deferred Credits and Other Liabilities	437,963	412,046	429,031
Accumulated Deferred Income Tax	266,009	258,330	236,814
Commitments and Contingencies			
Total Capitalization and Liabilities	$ 2,781,961	$ 2,624,537	$ 2,542,140

The accompanying notes are an integral part of these condensed financial statements.

CENTRAL HUDSON
CONDENSED STATEMENT OF EQUITY (UNAUDITED)
(In Thousands, except share amounts)

	Nine Months Ended September 30, 2021						
	Common Stock						
	Shares Issued	Amount	Paid-In Capital	Capital Stock Expense	Retained Earnings	AOCI*	Total Equity
Balance at December 31, 2020	16,862,087	$ 84,311	$ 274,452	$ (4,633)	$ 498,398	$ (161)	$ 852,367
Net income					31,015		31,015
Employee future benefits, net of tax						35	35
Balance at March 31, 2021	16,862,087	$ 84,311	$ 274,452	$ (4,633)	$ 529,413	$ (126)	$ 883,417
Net income					4,725		4,725
Employee future benefits, net of tax						36	36
Balance at June 30, 2021	16,862,087	$ 84,311	$ 274,452	$ (4,633)	$ 534,138	$ (90)	$ 888,178
Net income					6,697		6,697
Capital contribution			6,000				6,000
Employee future benefits, net of tax						36	36
Balance at September 30, 2021	16,862,087	$ 84,311	$ 280,452	$ (4,633)	$ 540,835	$ (54)	$ 900,911

	Nine Months Ended September 30, 2020						
	Common Stock						
	Shares Issued	Amount	Paid-In Capital	Capital Stock Expense	Retained Earnings	AOCI*	Total Equity
Balance at December 31, 2019	16,862,087	$ 84,311	$ 262,452	$ (4,633)	$ 430,457	$ (399)	$ 772,188
Accounting Standard Adoption – cumulative effect adjustment (Note 1)					(1,200)		(1,200)
Net income					26,056		26,056
Employee future benefits, net of tax						35	35
Balance at March 31, 2020	16,862,087	$ 84,311	$ 262,452	$ (4,633)	$ 455,313	$ (364)	$ 797,079
Net income					1,675		1,675
Employee future benefits, net of tax						36	36
Balance at June 30, 2020	16,862,087	$ 84,311	$ 262,452	$ (4,633)	$ 456,988	$ (328)	$ 798,790
Net income					14,414		14,414
Capital contribution			12,000				12,000
Employee future benefits, net of tax						35	35
Balance at September 30, 2020	16,862,087	$ 84,311	$ 274,452	$ (4,633)	$ 471,402	$ (293)	$ 825,239

*Accumulated other comprehensive income (loss)

The accompanying notes are an integral part of these condensed financial statements.

NOTE 1 – Summary of Significant Accounting Policies

Corporate Structure

CH Energy Group is the holding company parent corporation of four principal, wholly owned subsidiaries, Central Hudson Gas & Electric Corporation ("Central Hudson" or the "Company"), Central Hudson Electric Transmission LLC ("CHET"), Central Hudson Enterprises Corporation ("CHEC") and Central Hudson Gas Transmission LLC ("CHGT"). CH Energy Group's common stock is indirectly owned by Fortis Inc. ("Fortis"), which is a leader in the North American regulated electric and gas utility industry. Central Hudson is a regulated electric and natural gas transmission and distribution utility. CH Energy Group formed CHET to hold its 6.1% ownership interest in New York Transco LLC ("Transco"). CHGT was formed to hold CH Energy Group's ownership stake in possible gas transmission pipeline opportunities in New York State. As of September 30, 2021, there has been no activity in CHGT. CHEC has ownership interests in certain non-regulated subsidiaries that are less than 100% owned.

Basis of Presentation

This Quarterly Financial Report is a combined report of CH Energy Group and Central Hudson. The Notes to the Condensed Consolidated Financial Statements apply to both CH Energy Group and Central Hudson. CH Energy Group's Condensed Consolidated Financial Statements include the accounts of CH Energy Group and its wholly owned subsidiaries, which include Central Hudson, CHET, CHGT and CHEC. All intercompany balances and transactions have been eliminated in consolidation.

The Condensed Consolidated Financial Statements of CH Energy Group and Condensed Financial Statements of Central Hudson are unaudited but, in the opinion of management, reflect all normal recurring adjustments, necessary for a fair statement of the results for the interim periods presented. These unaudited Quarterly Condensed Financial Statements do not contain all footnote disclosures concerning accounting policies and other matters, which are included in the December 31, 2020 audited Financial Statements and, accordingly, should be read in conjunction with the Notes thereto. The balance sheets of CH Energy Group and Central Hudson as of September 30, 2020 are included for supplemental information.

The Quarterly Condensed Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which for regulated utilities, includes specific accounting guidance for regulated operations. The same accounting policies are used to prepare both the quarterly and the annual financial statements.

Preparation of the financial statements in accordance with GAAP includes the use of estimates and assumptions by management that affect the reported amounts of assets, liabilities and the disclosures of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Current estimates as of and for the period ended September 30, 2021 reflect management's best assumptions at this time. As with all estimates, actual results may differ from those estimated. Estimates may be subject to future uncertainties, including the continued evolution of the novel Coronavirus pandemic ("COVID-19"), which could affect the allowance for uncollectible accounts, as well as the total impact and potential recovery of incremental costs associated with COVID-19.

Estimates are also reflected for certain commitments and contingencies where there is sufficient basis to project a future obligation. Disclosures related to these certain commitments and contingencies are included in Note 13 - "Commitments and Contingencies."

Regulatory Accounting Policies

Central Hudson is subject to cost-based rate regulation. As a result, the effects of regulatory actions are required to be reflected in the financial statements. Regulatory accounting guidance results in differences in the application of GAAP between regulated and non-regulated businesses and requires the recording of regulatory assets and liabilities for certain transactions that would have been treated as expense or revenue in non-regulated businesses. Regulated utilities, such as Central Hudson, defer costs and revenues on the balance sheet as regulatory assets and liabilities when it is probable that those costs and revenues will be recoverable/refundable through the rate-making process in a period different from when they otherwise would have been reflected in income. For Central Hudson, these deferred regulatory assets and liabilities, and the related deferred taxes, are recovered from or reimbursed to customers either by offset as directed by the New York State Public Service Commission ("PSC" or "Commission"), through an approved surcharge mechanism or through incorporation in the determination of the revenue requirement used to set new rates. Changes in regulatory assets and liabilities are reflected in the Condensed Consolidated Statement of Income in the period in which the amounts are recovered through a surcharge, are reflected in rates or when criteria for recording the revenues are met. Current accounting practices reflect the regulatory accounting authorized in Central Hudson's most recent Rate Order. See Note 4 – "Regulatory Matters" for additional information regarding regulatory accounting.

Management periodically assesses whether the regulatory assets are probable of future recovery by considering factors such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders to Central Hudson and other regulated entities, and the status of any pending or potential deregulation legislation. Based on this assessment, management believes the existing regulatory assets are probable of recovery. This assessment reflects the current political and regulatory climate at the state and federal levels and is subject to change in the future. If future recovery of costs ceases to be probable, the regulatory asset would be written-off. Additionally, the regulatory agencies can provide flexibility in the manner and timing of recovery of regulatory assets.

Seasonality

Central Hudson's operations are seasonal in nature and weather-sensitive and, as a result, financial results for interim periods are not necessarily indicative of trends for a twelve-month period. Demand for electricity typically peaks during the summer, while demand for natural gas typically peaks during the winter.

Restricted Cash

Restricted cash primarily consists of cash collected from developers and held in escrow related to a System Deliverability Upgrade project pursuant to terms and conditions of the New York Independent System Operator's ("NYISO") Open Access Transmission Tariff ("OATT").

The following tables provide a reconciliation of cash, cash equivalents and restricted cash reported on the Balance Sheets for CH Energy Group and Central Hudson that sum to the total of the same such amounts shown in the corresponding Statements of Cash Flows.

CH Energy Group

(In Thousands)

	September 30, 2021	September 30, 2020
Cash and cash equivalents	$ 9,726	$ 19,967
Restricted cash included in other long-term assets	11,877	1,327
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 21,603	$ 21,294

Central Hudson

(In Thousands)

	September 30, 2021	September 30, 2020
Cash and cash equivalents	$ 3,628	$ 12,583
Restricted cash included in other long-term assets	11,877	1,327
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 15,505	$ 13,910

Financial Instruments

Effective January 1, 2020, CH Energy Group and Central Hudson adopted accounting guidance that requires the use of reasonable and supportable forecasts in the estimate of credit losses and the recognition of expected losses upon initial recognition of a financial instrument, in addition to using past events and current conditions. CH Energy Group and Central Hudson's allowance for credit losses increased $1.2 million as a result of the adoption of this accounting standard and was recorded as a cumulative adjustment to retained earnings effective January 1, 2020. At September 30, 2021 there are no expected credit losses on financial instruments other than those on accounts receivable and unbilled utility revenues.

Accounts Receivable and Allowance for Uncollectible Accounts

Beginning on January 1, 2020, receivables and unbilled utility revenues are carried at net realizable value based on the allowance for credit losses model. The accounts receivable balance also reflects Central Hudson's purchase of receivables from energy service companies to support the retail choice programs. The allowance for uncollectible accounts reflects management's best estimate of expected credit losses to reduce accounts receivable for amounts estimated to be uncollectible. Estimates for uncollectible accounts are based on accounts receivable aging data, as well as consideration of various quantitative and qualitative factors, including special collection issues and current and forecasted economic conditions. Interest can be charged on accounts receivable balances that have been outstanding for more than 20 days. See Note 2 – "Revenues and Receivables" for a discussion of the impact of COVID-19 on interest charges and other revenue.

Fuel, Materials & Supplies

The following is a summary of CH Energy Group's and Central Hudson's inventory of Fuel, Materials & Supplies valued using the average cost method (In Thousands):

	September 30, 2021	December 31, 2020	September 30, 2020
Fuel used in electric generation	437	373	387
Materials and supplies	23,715	23,305	24,426
Total	$ 24,152	$ 23,677	$ 24,812

Effective August 1, 2020 Central Hudson entered into an Asset Management Agreement ("AMA") with a third party related to its natural gas transport and storage capacity. Central Hudson continues to make purchases of natural gas in advance of the peak winter season to hedge against price volatility for its customers. However, based on the terms of the agreement, the third party will maintain control and title over the physical gas in storage until the end of the contract term. Amounts related to the AMA are reflected in "Special deposits and prepayments" in CH Energy Group's and Central Hudson's Balance Sheets.

Reclassification

Certain amounts shown in Note 4 – "Regulatory Matters" related to prior year, have been reclassified to conform to the 2021 presentation. These reclassifications had no effect on the reported results of operations.

Recently Adopted Accounting Pronouncements

Income Taxes

Effective January 1, 2021, CH Energy Group and Central Hudson adopted Accounting Standards Update ("ASU") No. 2019-12, *Simplifying the Accounting for Income Taxes*, which simplifies the accounting for income taxes by eliminating certain exceptions to the guidance in Accounting Standard Codification ("ASC") 740 related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplified aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. CH Energy Group and its subsidiaries' earnings, financial position, cash flows and disclosures were not impacted by this adoption.

Note 2 - Revenues and Receivables

Central Hudson disaggregates revenue by segment (electric and natural gas operations) and by revenue type (revenue from contract with customers, alternative revenue programs and other revenue).

Revenue from Contracts with Customers

Central Hudson records revenue as electricity and natural gas is delivered based on either the customers' meter read or estimated usage for the month. For full-service customers, this includes delivery and supply of electricity and natural gas. For retail choice customers, this includes delivery only as these customers purchase supply from a retail marketer. Sales and usage-based taxes are excluded from revenues. Consideration received from customers on a billing schedule is not adjusted for the effect of a significant finance component because the period between a transfer of goods or services will be one year or less.

Alternative Revenues

Central Hudson's alternative revenue programs include: electric and natural gas RDMs, the 2020 three-month postponement of the electric and natural gas delivery rate increases for Rate Year ("RY") 3, Gas Merchant Function Charge lost revenue, and revenue requirement effect for incremental Leak Prone Pipe ("LPP") miles replaced above the PSC targets. In addition, Central Hudson records alternative revenues related to Positive Revenue Adjustments ("PRAs") and Earnings Adjustment Mechanism ("EAMs") related to New York State clean energy goals, when prescribed targets are met.

Other Revenues

Other revenues consist of pole attachment rents, finance charges, miscellaneous fees and other revenue adjustments. Included in other revenue adjustments are changes to regulatory deferral balances to reverse the impact of refunds (collections) of previously recognized deferrals and Negative Revenue Adjustments pursuant to PSC Orders.

The following summary presents CH Energy Group's and Central Hudson's operating revenues disaggregated by segment and revenue source (In Thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
Electric	2021	2020	2021	2020
Revenues from Contracts with Customers (ASC 606)	$ 156,676	$ 153,538	$ 441,322	$ 407,268
Alternative Revenues (Non ASC 606)	(8,287)	(7,224)	(27,609)	(10,486)
Other Revenue Adjustments (Non ASC 606)	10,241	3,418	36,674	17,592
Total Operating Revenues Electric	$ 158,630	$ 149,732	$ 450,387	$ 414,374
Natural Gas				
Revenues from Contracts with Customers (ASC 606)	$ 19,706	$ 17,663	$ 124,063	$ 111,219
Alternative Revenues (Non ASC 606)	1,336	1,919	4,125	4,765
Other Revenue Adjustments (Non ASC 606)	(1,005)	(542)	(6,404)	(4,687)
Total Operating Revenues Natural Gas	$ 20,037	$ 19,040	$ 121,784	$ 111,297

The increase in electric and natural gas revenues from contracts with customers for the quarter and year to date is primarily driven by the increase in customer delivery rates effective July 1, 2020 that, due to the delayed rate increase in 2020, favorably impacted third quarter 2021 revenues, as well as higher billed recovery of purchased commodity costs, RAM and EAM surcharges. Partially offsetting these increases are higher credits to customer bills for rate moderation in the first half of 2021 when compared to 2020, which does not impact total revenues. The offset of these credits is reflected in other revenue.

The decrease in electric alternative revenue programs for the quarter and year to date is due to an increase in the deferral of actual billed revenues in excess of the 2018 Rate Order prescribed targets and the deferral of the delivery rate increase which was delayed from July 1, 2020 to October 1, 2020.

The increase in other electric revenues is due to higher credits to customer bills for previously deferred revenues in excess of the 2018 Rate Order prescribed targets as well as higher credits for rate moderation in 2021 when compared to 2020. The decrease in other natural gas revenues is primarily due to higher recovery of previously deferred revenues below those prescribed in the 2018 Rate Order and to higher deferral of net plant and depreciation targets, as a result of delays in the completion of certain capital projects as compared to levels included in current rates.

Allowance for Uncollectible Accounts

Accounts receivable are recorded net of an allowance for uncollectible accounts based on the allowance for credit losses model.

A summary of all changes in the allowance for uncollectible accounts receivable and accrued unbilled utility revenue balance is as follows:

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Balance at Beginning of Period	$ (11,200)	$ (6,700)	$ (10,400)	$ (4,500)
Accounting Standard Adoption – cumulative effect adjustment	-	-	-	(1,200)
Uncollectible expense	(1,417)	(2,028)	(5,305)	(5,734)
Bad debt write-offs (recoveries) - net	1,417	1,228	4,505	3,934
Balance at End of Period	$ (11,200)	$ (7,500)	$ (11,200)	$ (7,500)

Management recorded an increase to the allowance for uncollectible accounts of $0.8 million and $1.8 million during the first nine months of 2021 and 2020, respectively, based on a quantitative and qualitative assessment of forecasted economic conditions primarily related to COVID-19. This assessment included a historical analysis of the relationship of write-offs to accounts receivable balances in arrears and taking into consideration certain qualitative factors differentiating this current situation from other significant events in the historical period, including the nature and cause of this economic downturn, as well as legislative and governmental actions taken to provide relief and assistance to customers financially impacted by the COVID-19 pandemic. Central Hudson continues to proactively contact customers regarding past due balances to advise them of certain financial assistance programs available and is also working with local agencies and municipalities to obtain funding for its customers which has been made available through federal and state programs. No further increases to the reserve have been recorded in the third quarter of 2021 based on the potential available funding from these programs.

NOTE 3 – Utility Plant - Central Hudson

The following summarizes the type and amount of assets included in the electric, natural gas, and common categories of Central Hudson’s utility plant balances (In Thousands):

	Estimated Depreciable Life in Years	Utility Plant September 30, 2021	Utility Plant December 31, 2020	Utility Plant September 30, 2020
Electric:				
Production	25-85	$ 43,323	$ 42,992	$ 42,964
Transmission	30-90	445,550	435,855	417,990
Distribution	7-80	1,171,623	1,139,941	1,123,141
Other	40	6,910	6,908	6,827
Total		$ 1,667,406	$ 1,625,696	$ 1,590,922
Natural Gas:				
Transmission	19-85	$ 61,769	$ 61,476	$ 60,499
Distribution	28-95	656,681	615,728	599,322
Other	N/A	442	442	442
Total		$ 718,892	$ 677,646	$ 660,263
Common:				
Land and Structures	50	$ 108,774	$ 88,310	$ 86,862
Office and Other Equipment, Radios and Tools	8-35	85,651	79,429	81,226
Transportation Equipment	10-12	79,265	77,668	75,902
Other	3-10	133,694	93,922	87,286
Total		$ 407,384	$ 339,329	$ 331,276
Gross Utility Plant		$ 2,793,682	$ 2,642,671	$ 2,582,461

For the three months ended September 30, 2021 and 2020, the borrowed component of funds used during construction and recorded as a reduction of interest expense was $0.4 million and $0.5 million and the equity component reported as other income was $0.8 million and $0.8 million, respectively. For the nine months ended September 30, 2021 and 2020, the borrowed component of funds used during construction and recorded as a reduction of interest expense was $1.2 million, respectively in the periods and the equity component reported as other income was $2.7 million and $2.2 million, respectively.

Included in the Net Utility Plant balances of $2.3 billion at September 30, 2021, $2.2 billion at December 31, 2020 and $2.1 billion at September 30, 2020 was $167.9 million, $141.7 million and $133.1 million of intangible utility plant assets, comprised primarily of computer software costs, land, transmission and water rights and the related accumulated amortization of $74.6 million, $64.7 million and $61.6 million, respectively.

As of September 30, 2021, December 31, 2020 and September 30, 2020, Central Hudson has reclassified from utility plant assets $42.7 million, $40.4 million and $40.9 million, respectively, of cost of removal recovered through the rate-making process in excess of amounts incurred to date as a regulatory liability.

Asset Retirement Obligations ("AROs") for Central Hudson were approximately $1.9 million as of September 30, 2021 and December 31, 2020 and $0.6 million at September 30, 2020. These amounts have been classified in the above chart under "Electric - Other" and "Common - Other" based on the nature of the ARO and are reflected as "Other - long-term liabilities" in the CH Energy Group and Central Hudson Balance Sheets.

NOTE 4 – Regulatory Matters

Summary of Regulatory Assets and Liabilities

Based on previous, existing or expected regulatory orders or decisions, the following table sets forth amounts that are expected to be recovered from, or refunded to customers in future periods (In Thousands):

	September 30, 2021	December 31, 2020	September 30, 2020
Regulatory Assets:			
Deferred purchased electric costs (Note 1)	$ 13,742	$ 3,470	$ 2,214
Deferred purchased natural gas costs (Note 1)	2,022	4,453	435
Deferred unrealized losses on derivatives - electric and natural gas (Note 15)	-	2,153	311
RAM - electric and carrying charges	7,100	13,866	6,222
RAM - natural gas and carrying charges	2,876	3,418	430
EAMs - electric	2,860	3,410	1,731
SC 8 Street Lighting and carrying charges	2,413	1,678	1,515
Delayed electric and natural gas delivery rate increase	-	4,596	6,730
RDM and carrying charges - natural gas	1,468	3,778	1,385
Energy efficiency programs and carrying charges	11,572 (2)	1,260	-
Revenue requirement of LPP replacement and carrying charges	4,204	1,696	1,727
Deferred pension costs	1,434	7,551	-
Demand management programs and carrying charges	9,678	11,032	11,365
Deferred and accrued costs - SIR (Note 13) and carrying charges	78,416	84,370	87,259
Deferred storm costs and carrying charges	29,474	19,902	25,542
Deferred vacation pay accrual	10,593	10,197	9,958
Income taxes recoverable through future rates	27,981	26,968	15,777
Tax reform - unprotected impacts	13,464	13,464	13,464
Other	9,173 (1)	10,140 (1)	10,481 (1)(3)
Total Regulatory Assets	$ 228,470	$ 227,402	$ 196,546

Less: Current Portion of Regulatory Assets	$ 55,953	$ 57,079	$ 42,479
Total Long-term Regulatory Assets	$ 172,517	$ 170,323	$ 154,067
Regulatory Liabilities:			
Rate moderator - electric and carrying charges	$ 9,631	$ 15,786	$ 19,572
Rate moderator - natural gas and carrying charges	4,823	6,247	7,073
RDM and carrying charges - electric	16,226	22,073	16,370
Deferred unrealized gains on derivatives - electric and natural gas (Note 15)	13,708	-	1,390
Clean Energy Fund and carrying charges	55,489	57,893 [2]	63,019
Tax reform - protected deferred tax liability	179,718	183,915	185,353
Deferred cost of removal (Note 3)	42,664	40,384	40,934
Deferred pension costs	-	-	5,354
Deferred property taxes and carrying charges	1,320	-	1,270 [3]
Income taxes refundable through future rates	13,648	9,149	7,209
Deferred OPEB costs	11,542	13,540	23,615
Low income program and carrying charges	6,816	4,722	4,052
Net plant and depreciation targets	13,924	10,193	8,956
Fast charging infrastructure program and carrying charges	5,385	5,124	5,029
Energy efficiency programs and carrying charges	-	-	2,119
Deferred unbilled revenue	5,082	5,082	5,082
Deferred interest cost	1,608	465 [3]	- [3]
Other	6,310 [1]	4,573 [1][3]	6,709 [1][3]
Total Regulatory Liabilities	$ 387,894	$ 379,146	$ 403,106
Less: Current Portion of Regulatory Liabilities	$ 90,133	$ 89,006	$ 96,791
Total Long-term Regulatory Liabilities	$ 297,761	$ 290,140	$ 306,315
Net Regulatory Liabilities	$ (159,424)	$ (151,744)	$ (206,560)

(1) Other includes estimated netting on the balance sheet of certain regulatory asset carrying charges to be offset against regulatory liabilities and collected through Rate Case offset.

(2) In accordance with Order 18-M-0844, during the quarter ended March 31, 2021, accumulated Clean Energy Fund carrying charges of $4.7 million were transferred to fund Energy Efficiency Programs.

(3) Certain amounts included in Other related to prior periods, have been reclassified to conform to the September 30, 2021 presentation.

PSC Proceedings

2018 Rate Order and Related Proceedings

On June 14, 2018, the PSC issued an Order Approving Rate Plan in Cases 17-E-0459 and 17-G-0460. The 2018 Rate Order adopted the terms set forth in the April 18, 2018 Joint Proposal with minor modifications. The 2018 Rate Order was effective July 1, 2018, with Rate Year ("RY") RY1, RY2 and RY3 defined as the twelve months ending June 30, 2019, June 30, 2020 and June 30, 2021, respectively.

A summary of the key terms of the 2018 Rate Order is as follows:

	2018 Rate Order (dollars in millions)		
Description	RY1	RY2	RY3
Electric delivery rate increases	$19.7	$18.6	$25.1
Natural gas delivery rate increases	$6.7	$6.7	$8.2
Return on Equity	8.80%	8.80%	8.80%
Earnings sharing	Yes[1]	Yes[1]	Yes[1]
Capital structure – common equity	48%	49%	50%
Bill Credits - Electric	$6.0	$9.0	$11.0
Bill Credits - Natural Gas	$3.5	$4.0	$4.0
RDMs – electric and natural gas	Yes	Yes	Yes

(1) Return on equity ("ROE") > 9.3% and up to 9.8%, is shared 50% to customers, > 9.8% and up to 10.3%, is shared 80% to customers, and > 10.3% is shared 90% to customers.

On June 11, 2020, the Commission issued Order Postponing Approved Electric and Gas Delivery Rate Increases, which approved Central Hudson's petition to ease the financial impact on customers during the critical months of the COVID-19 pandemic. The Order postponed for three months Central Hudson's approved RY3 electric and natural gas delivery rate increase scheduled to take effect on July 1 to October 1, 2020, with the forgone revenues recovered over the remaining nine months of the rate year ending June 30, 2021. The Order also stated that no carrying charges will be applied to the delayed recovery of these revenues and that Central Hudson will adjust the RDM targets to be consistent with the delayed electric and natural gas delivery rate increase implementation.

<u>August 2020 Rate Filing</u>

Central Hudson filed an electric and natural gas rate case (Cases 20-E-0428 and 20-G-0429) on August 27, 2020 with the PSC seeking electric and natural gas delivery revenue increases. On August 24, 2021, the Company, Staff and several parties representing customer, commercial, municipal and environmental interests signed and filed the Joint Proposal ("JP"). The JP:

- establishes the Company's future energy infrastructure investments, programs and operations;
- stabilizes electric rates in the first year with a slight decrease for residential customers;
- reflects modest increases in gas rates producing bill impacts just over one percent each RY;
- helps to aid in pandemic recovery while supporting efforts to meet New York's climate goals;
- provides Central Hudson with required rate relief to support ongoing operations and maintenance and necessary investments in its electric, natural gas and information technology ("IT") systems and;
- includes several deferrals that provide the Company authorization to defer COVID-19 Incremental Operations and Maintenance ("O&M") Costs net of savings, lost revenues (finance charges and reconnection fee revenues), and uncollectible write-offs.

The JP provides for new rates to become effective retroactive to July 1, 2021 under a make-whole provision, covers the three-year period through June 2024 and utilizes existing regulatory balances to reduce bill impacts for customers during the term of the agreement. The JP also reflects a postponement of certain capital projects in order to manage capital expenditures, as well as reductions to O&M costs. The total electric revenue decrease/increase (after bill credits) is -0.2%, 1.2%, and 1.2% for RY1 through RY3, respectively, and the total natural gas revenue increase (after bill credits) is 1.9%, 1.8%, and 1.8% for RY1 through RY3, respectively. The proposed rate plan also includes an allowed ROE of 9.0% and an equity ratio of 50%, 49% and 48% for RY1 through RY3, respectively.

Although the statutory 11-month period for response from the PSC has been extended, a PSC Order in response to the filing is anticipated in the fourth quarter of 2021. Once approved, the Company will record the required accounting entries to reflect the retroactive make-whole provision and the approved regulatory deferral mechanism. Management does not anticipate the delay in the PSC Order will have a material impact on the Company's full year earnings, financial position or cash flow.

<u>August 2020 Tropical Storm Isaias</u>

On August 5, 2020, the New York State Governor instituted proceeding 20-01633 directing the Commission to initiate an investigation of certain New York State utilities' responses to Tropical Storm Isaias, which impacted Central Hudson's service territory on August 4, 2020. On November 19, 2020, New York State Department of Public Service ("DPS") issued an interim Storm Report setting forth preliminary findings, including purported failures by the identified utilities to comply with their respective Commission approved Emergency Response Plans and Show Cause ("Show Cause Order") that initiated proceedings against Central Hudson and the other utilities. The Show Cause Order identified 32 apparent violations by Central Hudson, which, if established, could have resulted in up to $16 million of penalties. Central Hudson filed its response to the Show Cause Order on December 21, 2020. The Company performed a thorough investigation and, as indicated in its response, believed no penalty should be issued because the facts demonstrated that Central Hudson fully complied with its Commission-approved Emergency Response Plan, which served as the standard against which Central Hudson should be evaluated. On February 23, 2021, Central Hudson filed a Notice of Impending Settlement Negotiations. On July 7, 2021, Central Hudson and New York State DPS entered into a Settlement Agreement, which included a commitment by Central Hudson to establish a $1.5 million regulatory liability to be used by Central Hudson to support or advance storm restoration and/or electric system resiliency and reliability in excess of amounts funded by customers. The Commission approved the Settlement Agreement within the Order Granting Motion and Adopting Settlement Agreement on July 15, 2021. The Settlement Agreement does not include any finding or admission of any violation by Central Hudson, and it specifies that the settlement amount is not a penalty.

Federal Energy Regulatory Commission ("FERC") Proceeding

On December 31, 2019, Central Hudson submitted to FERC a new rate schedule pursuant to Rate Schedule 12 of the NYISO OATT to establish a Facilities Charge for System Deliverability Upgrades ("SDU") being installed on Central Hudson's transmission facilities, which are required to provide four Large Generating Facility Developers with Capacity Resource Interconnection Service. This charge provides Central Hudson with full recovery of all reasonably incurred costs related to the development, construction, operation and maintenance of the SDU and a reasonable return on its investment. Project costs to be recovered by Central Hudson and allocated to the Load Serving Entities ("LSEs") pursuant to Rate Schedule 12 of the NYISO OATT are expected to be approximately $2.6 million plus operation, maintenance and other applicable costs and will be updated annually. Parties submitted an Offer of Settlement with the FERC on June 30, 2021, which included an updated ROE of 9.4% plus a 50 basis point adder for a total ROE of 9.9%. The settlement was certified as uncontested by the designated settlement judge on August 3, 2021 and was subsequently approved by FERC on October 4, 2021.

Central Hudson 2021 Financing Order

On June 29, 2021, Central Hudson filed under Section 69 of the Public Service Law a request to obtain approval to enter into multi-year committed credit agreements in an aggregate amount not to exceed $250 million and maturities not to exceed five years, and approval to issue and sell long-term debt, from time to time through December 31, 2024, in an aggregate amount not to exceed $475 million.

NOTE 5 – Income Tax

Uncertain Tax Positions

In September of 2010, Central Hudson filed a request with the Internal Revenue Service ("IRS") to change its tax accounting method related to costs to repair and maintain utility assets. The change was effective for the tax year ended December 31, 2009. This change allows Central Hudson to take a current tax repair deduction for a significant amount of repair costs that were previously capitalized for tax purposes.

IRS guidance, with respect to repair deductions taken on Gas Transmission and Distribution repairs is still pending. Therefore, tax reserves related to the gas repair deduction continue to be shown as "Tax Reserve" under the Deferred Credits and Other Liabilities section of the CH Energy Group and Central Hudson Balance Sheets.

Changes in the tax reserve reflect the ongoing uncertainty related to gas transmission and distribution repair deductions taken in the current period.

The following is a summary of activity related to the uncertain tax position (In Thousands):

	CH Energy Group			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Tax reserve balance at the beginning of the period	$ -	$ 4,850	$ -	$ 3,126
Change in natural gas transmission and distribution repair deduction	181	176	542	528
Change in tax benefit offset (1)	(181)	(789)	(542)	583
Tax reserve balance at the end of the period	$ -	$ 4,237	$ -	$ 4,237

(1) Amounts are classified as a deferred tax asset per ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.*

	Central Hudson			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Tax reserve balance at the beginning of the period	$ -	$ 4,709	$ -	$ 2,910
Change in natural gas transmission and distribution repair deduction	181	176	542	528
Change in tax benefit offset (1)	(181)	(961)	(542)	486
Tax reserve balance at the end of the period	$ -	$ 3,924	$ -	$ 3,924

(1) Amounts are classified as a deferred tax asset per ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.*

CARES Act

The CARES Act was signed into law on March 27, 2020. As permitted under the CARES Act, Central Hudson deferred payment of the employer share of the Social Security tax on its payroll during 2020. The deferred payroll tax can be paid over the next two years; with half of the required amount paid by December 31, 2021 and the other half by December 31, 2022. There is no impact on earnings or on the effective tax rate resulting from the delayed payment of employer payroll tax under the CARES Act. As of September 30, 2021 and December 31, 2020, the liability for the deferred payment of the employer's portion of Social Security tax on payroll is $5.2 million, with $2.6 million reflected in "Other current liabilities" and $2.6 million in "Other long-term liabilities" in the CH Energy Group and Central Hudson Balance Sheets. As of September 30, 2020, the liability for the deferred payment of the employer's portion of Social Security tax on payroll was $3.7 million and was reflected in "Other long-term liabilities" in the CH Energy Group and Central Hudson Balance Sheets.

CH Energy Group

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Effective tax rate - federal	9.3%	11.4%	12.0%	11.8%
Effective tax rate - state	4.9%	6.1%	4.7%	6.3%
Effective tax rate - combined	14.2%	17.5%	16.7%	18.1%

Central Hudson

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Effective tax rate - federal	7.9%	11.5%	11.4%	11.9%
Effective tax rate - state	4.4%	5.9%	4.5%	6.1%
Effective tax rate - combined	12.3%	17.4%	15.9%	18.0%

For the three and nine months ended September 30, 2021, the combined effective tax rate for CH Energy Group and Central Hudson is lower than the statutory rate due to tax normalization rules and the flow through impact of changes in the operating reserves. The decrease in the periods is primarily due to the impact of increases in book reserves not subject to tax included in the prior year effective rate.

On April 6, 2021 the New York State fiscal year 2022 budget bill was enacted. The budget bill included an increase in the corporate tax rate for businesses with taxable income over $5 million from 6.5% to 7.25% for tax years beginning on or after January 1, 2021 and before January 1, 2024 and extending the capital base tax which was set to phase out in 2021. For tax years beginning on or after January 1, 2021 and before January 1, 2024, the business capital tax rate would be 0.1875% and would phase out for tax years beginning on and after January 1, 2024. CH Energy Group and Central Hudson have state Net Operating Losses that are expected to reduce taxable income below the $5 million threshold for the duration of the increased tax rate period and therefore that provision is not expected to have an impact on the Company's earnings or cash flows. Both CH Energy Group and Central Hudson are expecting to be subject to the capital base tax during this period. For the nine months ended September 30, 2021, Central Hudson has recorded $1.3 million of Capital Base Tax, which is included in "Taxes, other than income tax" in the CH Energy Group and Central Hudson Statements of Income. The PSC Order anticipated in response to Central Hudson's August 2020 Rate Filing is expected to reflect the recovery of the impact of the new tax legislation in the revenue requirement and therefore this increase in Capital Base Tax is not expected to have a material impact on the Company's earnings and cash flows.

NOTE 6 – Investments in Unconsolidated Affiliates

In April 2019, National Grid and Transco were awarded the Segment B portion of one of their proposals related to the AC Transmission Order with NYISO for a transmission project that will improve the flow of power from upstate renewable resources to meet downstate demand and enhance the reliability and resilience of the grid ("AC Project"). Transco is authorized to earn a return on equity invested in the project (up to 53% of the project cost) of 9.65%, with up to an additional 1% available for incentives. The project has an estimated cost of $600 million plus interconnection costs, and CHET's equity funding requirement of this cost as a 6.1% owner of Transco is expected to be $19.4 million. As of September 30, 2021, CHET has made capital contributions of $3.5 million to Transco to fund a portion of the Segment B project costs. At September 30, 2021, December 31, 2020 and September 30, 2020, CHET's investment in Transco was approximately $12.7 million, $9.2 million and $8.7 million, respectively.

At September 30, 2021, CHEC had one remaining equity investment in a limited partnership, and it is not considered to be a part of the core business of CH Energy Group. All other interests were liquidated in prior periods. The value of CHEC's equity investments at September 30, 2021 and December 31, 2020 was approximately $0.2 million and at September 30, 2020 it was $1.3 million.

NOTE 7 – Research and Development

Central Hudson's research and development ("R&D") expenditures for the three months ended September 30, 2021 and 2020 were $0.8 million and $0.7 million, respectively. For the nine months ended September 30, 2021 and 2020, Central Hudson's R&D expenditures were $2.8 million and $2.6 million, respectively. These expenditures were for internal research programs and for contributions to research administered by the New York State Energy Research and Development Authority ("NYSERDA"), the Electric Power Research Institute and other industry organizations.

NOTE 8 – Short-Term Borrowing Arrangements

Committed Credit Facilities

On July 10, 2015, CH Energy Group entered into a Third Amended and Restated Credit Agreement with four commercial banks. The credit commitment of the banks under the agreement was $50 million with a maturity date of July 10, 2020. Due to low utilization and the ability to receive funding from either subsidiary dividends or parent company equity capital contributions, CH Energy Group did not replace this credit agreement upon its maturity.

On March 13, 2020, Central Hudson entered into a $200 million, five-year revolving credit agreement with five commercial banks to replace the agreement that was set to expire on October 15, 2020. Proceeds received from the revolving credit agreement are to be used for working capital needs and for general corporate purposes. Letters of credit are available up to $15 million from three participating banks.

The Central Hudson credit agreement includes a covenant that its total funded debt to total capital will not exceed 0.65 to 1.00. The credit agreement is also subject to certain restrictions and conditions, including that there will be no event of default, and subject to certain exceptions, that Central Hudson will not sell, lien, or otherwise encumber its assets or enter into certain transactions including certain transactions with affiliates. Central Hudson is also required to pay a commitment fee calculated at a rate based on the applicable Standard and Poor's or Moody's rating on the average daily unused portion of the credit facility. At September 30, 2021, Central Hudson was in compliance with all financial debt covenants.

At September 30, 2021, CH Energy Group and Central Hudson had $65 million in borrowings outstanding under Central Hudson's committed credit arrangements with an effective weighted average interest rate of 1.0%. At December 31, 2020 and September 30, 2020 there were no amounts outstanding under Central Hudson's committed credit arrangements for CH Energy Group and Central Hudson, as applicable.

Uncommitted Credit

At September 30, 2021, December 31, 2020, and September 30, 2020, Central Hudson had uncommitted short-term credit arrangements with two commercial banks totaling $30 million. Proceeds from these credit arrangements are used to diversify cash sources and provide competitive options to minimize Central Hudson's cost of short-term debt.

At September 30, 2021, CH Energy Group and Central Hudson had $5 million in borrowings outstanding under Central Hudson's uncommitted credit agreements with an effective weighted average interest rate of 0.9%. At December 31, 2020, CH Energy Group and Central Hudson had $15 million in borrowings outstanding under Central Hudson's uncommitted credit agreements with an effective weighted average interest rate of 0.9%. There were no outstanding borrowings for CH Energy

Group or Central Hudson under Central Hudson's uncommitted credit agreements at September 30, 2020.

NOTE 9 – Capitalization – Common and Preferred Stock

Capitalization

During the nine months ended September 30, 2021, CH Energy Group received a contribution of approximately $5.0 million under the tax sharing agreement with its parent FortisUS Inc. ("FortisUS"). Additionally, during the nine months ended September 30, 2021 and September 30, 2020, CH Energy Group received capital contributions of $4.4 million and $15.0 million, respectively, from FortisUS.

During the nine months ended September 30, 2021 and September 30, 2020, Central Hudson received a capital contribution of $6.0 million and $12.0 million, respectively, from its parent company CH Energy Group.

For the nine months ended September 30, 2021, CHET received capital contributions of $2.1 million from its parent CH Energy Group in order to fund capital expenditures related to the Transco AC Project. There were no capital contributions made during 2020.

These contributions were recorded as paid-in capital, see CH Energy Group and Central Hudson's Condensed Consolidated Statement of Equity.

Common Stock Dividends

CH Energy Group's ability to pay dividends is affected by the ability of its subsidiaries to pay dividends. The Federal Power Act limits the payment of annual dividends by Central Hudson to its retained earnings. More restrictive is the PSC's limit on the dividends Central Hudson may pay to CH Energy Group, which is 100% of the average annual income available for common stock, calculated on a two-year rolling average basis. Based on this calculation, Central Hudson was restricted to a maximum annual payment of $67.2 million and $62.9 million in dividends to CH Energy Group for the periods ended September 30, 2021 and 2020, respectively. Central Hudson's ability to pay dividends would be reduced to 75% of its average annual income in the event of a downgrade of its senior debt rating below "BBB+" by more than one rating agency, if the stated reason for the downgrade is related to any of CH Energy Group's or Central Hudson's affiliates. Further restrictions are imposed for rating downgrades below this level. In addition, Central Hudson would not be allowed to pay dividends if its average common equity ratio for the 13 months prior to a proposed dividend was more than 200 basis points below the ratio used in setting rates. CH Energy Group's other subsidiaries do not have express restrictions on their ability to pay dividends.

There were no dividends paid during the nine months ended 2021 and 2020.

Preferred Stock

Other than one share of Junior Preferred Stock, Central Hudson had no outstanding preferred stock as of September 30, 2021, December 31, 2020, and September 30, 2020.

NOTE 10 – Capitalization – Long-Term Debt

As of September 30, 2021, CH Energy Group and Central Hudson were in compliance with all covenants under their long-term debt instruments. Most of these instruments are redeemable at the discretion of CH Energy Group and Central Hudson, at any time, at the greater of par or a specified price as defined in the respective long-term debt agreements, together with accrued and unpaid interest.

On March 16, 2021, Central Hudson issued $75 million of Series U Senior Notes, with an interest rate of 3.29% per annum and a maturity date of March 16, 2051. Central Hudson used the proceeds from the sale of the Senior Notes for general corporate purposes, including the repayment of $44.2 million of maturing debt on April 1, 2021.

During 2020, Central Hudson issued $130 million in unsecured Senior Notes, with various interest rates and maturities ranging from 10 to 40 years. Central Hudson used the proceeds from the sale of the Senior Notes to repay $40 million of maturing debt and for general corporate purposes, including the funding of capital expansion and improvement projects and the repayment of short-term borrowings.

At September 30, 2021, Central Hudson had $30 million of 2014 Series E 10-year notes with a floating interest rate of 3-month LIBOR plus 1%. To mitigate the potential cash flow impact from unexpected increases in short-term interest rates, Central Hudson purchased a four-year interest rate cap that will expire on March 26, 2024. The rate cap has a notional amount equal to the outstanding principal amount of the 2014 Series E notes and is based on the quarterly reset of the LIBOR rate on the quarterly interest payment dates. Central Hudson would receive a payout if the LIBOR rate exceeds 3% at the start of any quarterly interest period during the term of the cap. There have been no payouts on this interest rate cap during the three and nine months ended September 30, 2021 and 2020.

The principal amount of Central Hudson's outstanding 1999 Series B NYSERDA Bonds totaled $33.7 million at September 30, 2021. These are tax-exempt multi-modal bonds that are currently in a variable rate mode and mature in 2034. To mitigate the potential cash flow impact from unexpected increases in short-term interest rates on Series B NYSERDA Bonds, Central Hudson purchased a three-year interest rate cap on March 25, 2019. The rate cap has a notional amount equal to the outstanding principal amount of the Series B bonds and expires on April 1, 2022. The cap is based on the monthly weighted average of an index of tax-exempt variable rate debt, multiplied by 175%. Central Hudson would receive a payout if the adjusted index exceeds 4% for a given month. There was no payout on this interest rate cap during the three and nine months ended September 30, 2021. Central Hudson received a payout of $0.03 million during the nine months ended September 30, 2020; there was no payout during the third quarter of 2020.

See Note 15 – "Accounting for Derivative Instruments and Hedging Activities" for fair value disclosures related to these interest rate cap agreements.

NOTE 11 – Post-Employment Benefits

Central Hudson has a non-contributory Retirement Income Plan ("Retirement Plan") covering substantially all its employees hired before January 1, 2008 or May 1, 2008, as applicable, and a non-qualified Supplemental Executive Retirement Plan ("SERP") for certain executives (collectively "Pension"). The Retirement Plan is a defined benefit plan, which provides pension benefits based on an employee's compensation and years of service. Central Hudson also provides certain health care and life insurance benefits for certain retired employees hired before January 1, 2008 or May 1, 2008, as applicable, through its post-retirement benefit plans.

In its Orders, the PSC has authorized deferral accounting treatment for any variations between actual Pension and OPEB expense and the amount included in the current delivery rate structure. As a result, variations in expenses for post-employment benefit plans at Central Hudson do not have any impact on earnings.

Central Hudson's net periodic benefit costs for its Pension and OPEB plans are as follows (In Thousands):

	Pension		OPEB	
	Three Months Ended September 30,		Three Months Ended September 30,	
	2021	2020	2021	2020
Service cost	$ 3,763	$ 3,363	$ 469	$ 417
Interest cost	4,962	5,922	892	1,048
Expected return on plan assets	(9,042)	(8,836)	(1,986)	(1,985)
Amortization of prior service cost (credit)	132	162	(114)	(114)
Amortization of recognized actuarial net (gain)/loss	633	401	(651)	(979)
Net Periodic (Benefit) Cost	$ 448	$ 1,012	$ (1,390)	$ (1,613)

	Pension Benefits		OPEB	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Service cost	$ 11,289	$ 10,089	$ 1,407	$ 1,251
Interest cost	14,886	17,766	2,676	3,144
Expected return on plan assets	(27,126)	(26,508)	(5,958)	(5,955)
Amortization of prior service cost (credit)	396	486	(342)	(342)
Amortization of recognized actuarial net (gain)/loss	1,899	1,203	(1,953)	(2,937)
Net Periodic (Benefit) Cost	$ 1,344	$ 3,036	$ (4,170)	$ (4,839)

The balance of Central Hudson's accrued pension costs (i.e. the under-funded status) is as follows (In Thousands):

	September 30, 2021(1)(2)	December 31, 2020(1)(2)	September 30, 2020(1)(2)
Accrued pension costs	$ (24,758)	$ (26,813)	$ (12,805)

(1) Includes approximately $0.2 million at September 30, 2021, December 31, 2020 and September 30, 2020 of accrued pension liability recorded at CH Energy Group as a result of the resignation in 2014 of a CH Energy Group officer with a change in control agreement.

(2) Includes approximately $1.5 million at September 30, 2021 and December 31, 2020 and $1.2 million at September 30, 2020 that is reflected in the Balance Sheet under other current liabilities for pension payments expected to be made over the next twelve months.

Accrued pension costs include the difference between the projected benefit obligation for the Retirement Plan and the market value of the pension assets and any liability for the non-qualified SERP. The under-funded status does not reflect approximately $40.5 million, $32.9 million, and $33.1 million of SERP trust assets at September 30, 2021, December 31, 2020, and September 30, 2020.

The following reflects the impact of the recording of funding status adjustments on the Balance Sheets of CH Energy Group and Central Hudson (In Thousands):

	September 30, 2021(1)(2)	December 31, 2020(1)(2)	September 30, 2020(1)(2)
Accrued pension costs prior to funding status adjustment	$ (25,989)	$ (25,751)	$ (25,025)
Funding status adjustment required	1,231	(1,062)	12,220
Accrued pension costs	$ (24,758)	$ (26,813)	$ (12,805)
Offset to funding status adjustment - regulatory (liability) assets - pension plan	$ (1,303)	$ 851	$ (12,610)
Offset to funding status adjustment - accumulated OCI, net of tax of $20, $55 and $102, respectively	$ 52	$ 156	$ 288

(1) Includes approximately $0.2 million at September 30, 2021, December 31, 2020 and September 30, 2020 of accrued pension liability recorded at CH Energy Group as a result of the resignation in 2014 of a CH Energy Group officer with a change in control agreement.

(2) Includes approximately $1.5 million at September 30, 2021 and December 31, 2020 and $1.2 million at September 30, 2020 that is reflected in the Balance Sheet under other current liabilities for pension payments expected to be made over the next twelve months.

Gains or losses and prior service costs or credits that arise during the period, but that are not recognized as components of net periodic pension cost, would typically be recognized as a component of other comprehensive income ("OCI"), net of tax. However, Central Hudson has PSC approval to record regulatory assets or liabilities rather than adjusting comprehensive income to offset the funding status adjustment for amounts recoverable from customers in future rates. The amounts reported as OCI, net of tax, relate to a former Central Hudson employee who transferred to an affiliated company, but who continues to accrue benefits in Central Hudson's Retirement Plan and SERP. These amounts reported as OCI are charged to and reimbursed by the affiliated company.

Contributions to the Central Hudson Retirement, OPEB and SERP Plans are as follows (In Thousands):

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Retirement Plan	$ -	$ -	$ -	$ -
OPEB	$ -	$ -	$ 812	$ 1,081
SERP	$ -	$ -	$ 8,115	$ 6,998

Decisions to fund Central Hudson's Retirement Plan are based on several factors, including, but not limited to, the funded status, corporate resources, projected investment returns, actual investment returns, inflation, regulatory considerations, interest rate assumptions and the requirements of the Pension Protection Act of 2006 ("PPA"). Based on the funding requirements of the PPA, Central Hudson plans to make contributions that maintain the target funded percentage at 80% or higher. Actual contributions could vary significantly based upon a range of factors that Central Hudson considers in its funding decisions.

Contribution levels to the OPEB Plans are determined by various factors including the discount rate, expected return on plan assets, medical claims assumptions used, mortality assumptions used, benefit changes, corporate resources and regulatory considerations.

In accordance with the terms of the Trust agreement for the SERP, following the acquisition of CH Energy Group, Inc. by Fortis on June 27, 2013, Central Hudson is required to maintain a funding level for the SERP at 110% of the present value of the accrued benefits payable under the Plan on an annual basis.

401(k) Retirement Plan

Central Hudson sponsors a 401(k) retirement plan ("401(k) plan") for its employees. The 401(k) plan provides for employee tax-deferred salary deductions for participating employees and employer matches. The matching benefit varies by employee group. Central Hudson's matching contributions for the three months ended September 30, 2021 and 2020 were $1.5 million, respectively. For the nine months ended September 30, 2021 and 2020, matching contributions were $4.4 million and $4.3 million, respectively. Central Hudson also provides an additional contribution of 4% to the 401(k) plan of annualized base salary for eligible employees who do not qualify for Central Hudson's Retirement Income Plan. The additional non-discretionary contribution was approximately $0.7 million for the three months ended September 30, 2021 and September 30, 2020, respectively. For the nine months ended September 30, 2021 and September 30, 2020, non-discretionary contributions were $2.1 million and $2.0 million, respectively.

NOTE 12 – Equity-Based Compensation

Share Unit Plan Units

In January 2021, officers of Central Hudson were granted 14,249 Units under the 2021 Fortis Restricted Share Unit Plan ("2021 RSUP"), representing a portion of the officers' long-term incentives. The issued 2021 Restricted Units granted are time-based and vest at the end of the three-year period without regard to performance. Each 2021 RSUP Unit granted has an underlying value equivalent to the value of one common share of Fortis and if earned and vested is paid in cash, unless a participant does not satisfy their share ownership requirements or chooses to settle in shares. The settlement in shares by a participant will result in the modification from a liability award to an equity award and an election to settle in shares cannot be made later than 30 days prior to the awards vesting. The foreign exchange rate utilized for cash payout in the US dollar equivalent for each plan corresponds to the exchange rate on the business day prior to the date of that 2021 RSUP Unit grant. Each 2021 RSUP Unit accrues notional dividend equivalents equal to the dividends declared by the Fortis Board of Directors on Fortis common shares.

In January 2021, officers of Central Hudson were granted 28,497 Units under the Central Hudson 2021 Share Unit Plan ("2021 SUP"), representing a portion of the officers' long-term incentives. The issued 2021 SUP Units granted are performance based and vest at the end of the three-year performance period upon achievement of specified cumulative performance goals. Each 2021 SUP Unit granted has an underlying value equivalent to the value of one common share of Fortis and if earned and vested is paid in cash. The foreign exchange rate utilized for cash payout in the US dollar equivalent for each plan corresponds to the exchange rate on the business day prior to the date of that 2021 SUP Unit grant. Each 2021 SUP Unit accrues notional dividend equivalents equal to the dividends declared by the Fortis Board of Directors on Fortis common shares.

Awards granted under the 2018 Performance Share Unit Plan ("PSUP") and 2018 SUP Plans vested and were paid out during the first quarter of 2021.

CH Energy Group:	Grant Date	Grant Date Fair Value	Time Based Granted	Time Based Outstanding[6]	Performance Based Granted	Performance Based Outstanding[6]
2020 RSUP[5]	January 1, 2020	$ 41.55	7,257	7,737	-	-
2020 PSUP[5]	January 1, 2020	$ 41.55	-	-	21,770	23,210
2019 PSUP	January 1, 2019	$ 33.10	8,838	9,764	26,514	29,292
2018 PSUP[1]	January 1, 2018	$ 36.59	-	-	29,514	-

Central Hudson:	Grant Date	Grant Date Fair Value	Time Based Granted	Time Based Outstanding[2][6]	Performance Based Granted	Performance Based Outstanding[2][6]
2021 RSUP	January 1, 2021	$ 41.12	14,249	14,653	-	-
2021 SUP	January 1, 2021	$ 41.12	-	-	28,497	29,306
2020 RSUP[5]	January 1, 2020	$ 41.55	12,655	13,492	-	-
2020 SUP[5]	January 1, 2020	$ 41.55	-	-	25,311	26,985
2019 SUP[4]	January 1, 2019	$ 33.10	15,691	13,785	31,383	32,428
2018 SUP[3][1]	January 1, 2018	$ 36.59	16,337	-	32,675	-

[1]In the first quarter of 2021, 49,732 units under the 2018 SUP and 32,998 units under the 2018 PSUP vested and were paid out at $41.64 per unit for a total of approximately $4.1 million.

[2]In the second quarter of 2019, 3,337 2017 SUP units, 2,814 2018 SUP units, and 3,075 2019 SUP units were forfeited following the resignation of an Officer.

[3]In the third quarter of 2020, per the 2018 SUP agreement, time based units were paid out related to Officer retirements at 859 shares at $42.93 per unit and 1,140 shares at $44.91 per unit.

[4]In the third quarter of 2020, per the 2019 SUP agreement, time based units were paid out related to Officer retirements at 942 shares at $39.57 per unit and 1,336 shares at $41.39 per unit.

[5]During 2020, the grant date fair value share price was corrected from the previously disclosed Canadian dollar share price of CAD$53.97 to the US dollar share price. There was no financial statement impact resulting from the change to the disclosure.

[6]Includes notional dividends accrued as of September 30, 2021.

The following table summarizes compensation expense for share unit plan units as follows (In Thousands):

Compensation Expense

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
CH Energy Group	$ 552	$ 547	$ 1,946	$ 1,891
Central Hudson	$ 552	$ 547	$ 1,946	$ 1,891

The liabilities associated with the annual RSUP, SUP and PSUP plans are recorded at fair value at each reporting date until settlement, recognizing compensation expense over the vesting period on a straight-line basis. The fair value of the respective liabilities is based on the Fortis common share 5 day volume weighted average trading price at the end of each reporting period and the expected payout based on management's best estimate in accordance with the defined metrics of each grant.

Under the annual RSUP, SUP and PSUP agreements (“the Plans”), the amount of any outstanding awards payable to an employee who retires during the term of the grant and who has 15 years of service and provides at least six months prior notice of retirement under the terms of the Plans, is determined as if the employee continued to be an employee through the end of the performance period. In accordance with ASU 2014-12, in this situation, compensation expense for that individual is recognized over the requisite service period, instead of the performance period. In all periods presented, additional expense was recognized in accordance with ASU 2014-12 for Central Hudson officers who are retirement eligible under terms of the Plans in which they have attained the required retirement age and met the required 15 years of service. Fluctuations in compensation expense in the comparative periods can result from changes in the Fortis Inc. common stock share price and the projected performance payout percentages.

NOTE 13 – Commitments and Contingencies

There were no significant changes in the nature and amounts of Central Hudson's commitments from those disclosed in the 2020 Annual Financial Report, except as noted below.

Energy Credit Purchase Obligations

In August 2016, the PSC issued Order 15-E-0302 adopting a Clean Energy Standard that includes Renewable Energy Credits ("RECs") and Zero-Emissions Credit ("ZECs") requirements. Since 2017, LSEs, which include Central Hudson, have been required to obtain Tier 1 RECs and ZECs in amounts determined by the PSC. LSEs may satisfy their REC obligation by either purchasing RECs acquired through central procurement by NYSERDA, by self-supply through direct purchase of tradable RECs, through value stack Tier 1 offset payments, or by making alternative compliance payments. Through March 31, 2022, LSEs will purchase ZECs from NYSERDA at tranche prices approved by the PSC based on qualifying in-state nuclear plant output and Central Hudson's full-service customer New York Control Area load-ratio share. Central Hudson's ZEC obligation is comprised of an administratively determined ZEC price, Central Hudson's monthly load volume, as defined by NYISO billing data, and a load modifier adjustment factor. The actual obligation will be determined and is contingent upon actual load served. In October 2020, the PSC issued an Order that revised the Tier 1 REC obligations through calendar year 2023 and set requirements for Tier 2 Competitive RECs through calendar year 2025. NYSERDA introduced indexed Tier 1 RECs beginning January 1, 2021. REC pricing will change each quarter (weighted average of vintage fixed and new indexed RECs) and the alternative compliance payment will be set in advance of the compliance year. These future costs are recoverable from customers through electric cost adjustment mechanisms.

At September 30, 2021, based on Central Hudson's estimated annual load to be served through March 31, 2022, the total obligation to procure ZECs is estimated to be approximately $6.1 million. The requirement to procure ZECs will continue based upon Central Hudson's future load served to its customers through 2029. The current obligation to procure Tier 1 RECs is defined as a percentage of load served in the state through December 31, 2023 and as a "pay as you go" load basis for Tier 2 RECs; the combined Tier 1 and Tier 2 REC obligation is estimated for Central Hudson to be approximately $9.9 million through December 31, 2025.

Other Commitments

Pension Benefit and OPEB Funding Contributions

Central Hudson is subject to certain contractual benefit payment obligations. Decisions about how to fund the Retirement and OPEB Plans to meet these obligations are made annually and are primarily affected by the discount rate used to determine benefit obligations, current asset values, corporate resources and the projection of Retirement and OPEB Plan assets. Based on the funding requirements of the Pension Protection Act of 2006, Central Hudson plans to make contributions that maintain the target funded percentage for the Retirement Plan at 80% or higher. Actual contributions could vary significantly based upon economic growth, projected investment returns, inflation and interest rate assumptions. Actual funded status could vary significantly based on asset returns and changes in the discount rate used to estimate the present value of future obligations. In January 2021, Central Hudson made a contribution of $0.8 million to the 401(h) Plan to fund the management OPEB liabilities, in accordance with Central Hudson's OPEB policy and strategy. Actual contributions for 2021 could vary significantly based upon economic growth, projected investment returns, inflation and interest rate assumptions. Actual funded status could vary significantly based on asset returns and changes in the discount rate used to estimate the present value of future obligations. Central Hudson has monitored the Retirement Plan's asset returns and estimated funded status change in the first three quarters of 2021 as a result of recent market volatility during the COVID-19 pandemic and is expected to make a contribution of $0.5 million in the first quarter of 2022 to the 401(h) Plan to fund the management OPEB liabilities, in accordance with Central Hudson's OPEB policy and strategy. See Note 11 – "Post-Employment Benefits" for additional information regarding contributions.

Supplemental Executive Retirement Plan

As a result of the acquisition of CH Energy Group, Inc. by Fortis on June 27, 2013, and in accordance with the terms of the Trust agreement for the SERP, Central Hudson is required to maintain a funding level at 110% of the present value of the accrued benefits payable under the Plan on an annual basis. Annual contributions to the SERP could vary based on investment returns, discount rates, and participant demographics. Central Hudson made a contribution to the SERP Trust for 2020 of $8.1 million in March 2021, resulting in a funding status that achieves the requirements of the Trust agreement. See Note 11 – "Post-Employment Benefits" for additional information regarding contributions.

Parental Guarantee

CHET was established to be an investor in Transco, which was created to develop, own and operate electric transmission projects in New York State. On July 16, 2020, CH Energy Group's parental guarantee to Transco was adjusted from $182 million to $73.7 million. The Transco Board of Directors approved the reduction based on CHET's maximum commitment associated with the AC Project, the only project remaining under Transco's original FERC application and the initial guarantee. As of September 30, 2021, CHET's investment in Transco was approximately $12.7 million and CH Energy Group is currently not aware of any existing condition that would require any payments under this guarantee.

Contingencies

Environmental Matters

Central Hudson accrues for remediation costs based on the amounts that can be reasonably estimated at a point in time. At September 30, 2021, Central Hudson has accrued $72.4 million with respect to all SIR activities, including operation, maintenance and monitoring costs ("OM&M"), of which $9.0 million is anticipated to be spent in the next twelve months.

Central Hudson currently has nine sites within its service territory that are in various stages of environmental site investigation or remediation. SIR can be divided into various stages of completion based on the milestones of activities completed and reports reviewed.

These stages, the costs accrued and the sites currently in each stage include (dollars in millions):

Stage	Sites	Total Accrued Cost at September 30, 2021	Estimated spend in the next twelve months
Investigation	Little Britain Road	$ 2.2	$ 0.3
Remedial Alternatives Analysis		-	-
Remedial Design		-	-
Remediation	North Water Street	65.7	8.5
Post-Remediation Monitoring	Newburgh Areas A, B & C, Laurel Street, Catskill, Kingston, and Eltings Corners	4.5	0.2
No Action Required	Beacon and Bayeaux Street	-	-
Total		$ 72.4	$ 9.0

There were no significant updates during the first nine months of 2021 or changes in the nature and amounts of Central Hudson's contingencies related to environmental matters, except as noted below.

- **Remediation in Progress - Site – North Water Street**
  - In the first quarter of 2020, Central Hudson revised its estimate and recorded the low end of the range of projected costs for remediation activities associated with this site based on an assessment of a high-solids hydraulic dredging remedial alternative including predictive cost modeling for a pilot test and full-scale remediation.
  - In September 2020, the New York State Department of Environmental Conservation ("DEC") approved the Hydraulic Dredging Pilot Test ("HDPT") Work Plan and Water Supply Protection and Contingency Plan. Preliminary site monitoring and mobilization activities commenced in October 2020 and pilot test activities, including demobilization, were completed in January 2021.
  - The goals of the pilot study were successfully achieved. Hydraulic dredging was completed in three areas with different degrees of impacted sediment (no impact, medium impact and high impact). A draft hydraulic dredge pilot test evaluation summary report was prepared which summarized the data compiled related to:
    - production rates associated with the hydraulic dredge equipment in each area including the impacts of the protective shroud attached for additional protection,
    - impacts of sheening events that occurred, the ability to contain them and the related work stoppages during the pilot,
    - impact of prescribed protective measures regarding the placement of daily clean cover and backfill on the riverbed, and
    - debris encountered in the river and the related mechanical removal.
  - The report concluded that the use of hydraulic dredging was technically feasible. However, there were several factors (as noted above) that impacted the previously estimated production rates able to be achieved during the pilot. When extrapolated to full-scale remediation, the cumulative effect of these impacts on the production rates observed during the HDPT significantly increased the total estimated time to complete the dredging and backfilling remediation and, as a result of this increased time frame, also equated to a significant increase in the projected cost.
  - Based on the increase in the projected time frame and cost, it was concluded by the project's Engineer of Record ("EOR") that full-scale hydraulic dredging is not practical to pursue as the sole remedial approach. Following review of the evaluation summary report, the DEC concurred that this timeframe was not practical and agreed with the conclusion of the report. At this point, the DEC has communicated that removal of source material is still the best long-term remedy for the site and as such is directing Central Hudson to examine

other methods, including a mix of alternative approaches taking into consideration the extent of removal that may be feasible.
- A scope of work for limited upland remedial activities was submitted to and approved by the DEC in May 2021. The activities were completed in June 2021.
- During 2021, Central Hudson worked with the EOR to evaluate remedial alternative approaches, including some that still fit within the framework of the DEC approved Work Plan and achieved the established regulatory clean-up objectives within a reasonable time period, as well as other approaches that considered capping or monitoring-only activities. A Focused Remedial Alternatives Analysis report presenting the evaluation of alternative approaches is anticipated to be submitted to the DEC in the fourth quarter of 2021. The accrual for remediation will continue to be updated as the alternative remedial approaches are discussed, and a path forward is agreed upon by all involved parties.
- The estimated spending as of September 30, 2021 for the next 12 months of approximately $8.5 million is primarily based on anticipated efforts to perform the additional analysis requested and commence in-water remediation efforts in the third quarter of next year.

Future remediation activities, including OM&M and related costs may vary significantly from the assumptions used in Central Hudson's current cost estimates and these costs could have a material adverse effect (the extent of which cannot be reasonably determined) on the financial condition, results of operations and cash flows of CH Energy Group and Central Hudson if Central Hudson were unable to recover all or a substantial portion of these costs via collection in rates from customers and/or through insurance.

Central Hudson expects to recover its remediation costs from its customers. The current components of this recovery include:

- ➢ As part of the 2018 Rate Order, Central Hudson maintained previously granted deferral authority and future recovery for the differences between actual Environmental SIR costs (both manufactured gas plants (“MGP”) and non-MGP) and the associated rate allowances, with carrying charges to be accrued on the deferred balances at the authorized pre-tax rate of return.
- ➢ The 2018 Rate Order includes cash recovery of approximately $25.7 million during the three-year rate plan period ending June 30, 2021, all of which has been fully recovered. In addition, for the three months ended September 30, 2021 $2.1M has been recovered under the terms of the existing 2018 Rate Order and will continue to be recovered at existing rates until a new Rate Order is approved.
- ➢ The total spending related to site investigation and remediation for the three months ended September 30, 2021 was approximately $0.5 million. There was no spending related to site investigation and remediation for the three months ended September 30, 2020. For the nine months ended September 30, 2021 and 2020 spending was approximately $2.8 million and $2.9 million respectively.
- ➢ The regulatory asset balance including carrying charges as of September 30, 2021, December 31, 2020 and September 30, 2020 was $78.4 million, $84.4 million and $87.3 million, respectively, which represents the cumulative difference between amounts spent or currently accrued as a liability and the amounts recovered to date through rates or insurance recoveries.

Central Hudson has put its insurers on notice and intends to seek reimbursement from its insurers for its costs. Certain of these insurers have denied coverage. There were no insurance recoveries during the nine months ended September 30, 2021 and 2020. We do not expect insurance recoveries to offset a meaningful portion of total costs.

Litigation

Asbestos Litigation

Central Hudson is involved in various asbestos lawsuits.

As of September 30, 2021, of the 3,383 asbestos cases brought against Central Hudson, 1,165 remain pending. Of the cases no longer pending against Central Hudson, 2,055 have been dismissed or discontinued without payment by Central Hudson and Central Hudson has settled 163 cases. Central Hudson is presently unable to assess the validity of the remaining asbestos lawsuits; however, based on information known to Central Hudson at this time, including Central Hudson's experience in settling asbestos cases and in obtaining dismissals of asbestos cases, Central Hudson believes that the costs which may be incurred in connection with the remaining lawsuits will not have a material adverse effect on the financial position, results of operations or cash flows of either CH Energy Group or Central Hudson.

Other Litigation

CH Energy Group and Central Hudson are involved in various other legal and administrative proceedings incidental to their businesses, which are in various stages. While these matters collectively could involve substantial amounts, based on the facts currently known, it is the opinion of management that their ultimate resolution will not have a material adverse effect on either CH Energy Group's or Central Hudson's financial positions, results of operations or cash flows. CH Energy Group and Central Hudson expense legal costs as incurred.

NOTE 14 – Segments and Related Information

CH Energy Group's reportable operating segments are the regulated electric utility business and regulated natural gas utility business of Central Hudson. Other activities of CH Energy Group, which do not constitute a business segment, include CHEC's investments in limited partnerships, CHET's investment in Transco (a regulated entity), CHGT which has no current activity, and the holding company's activities, which consist primarily of financing its subsidiaries, and are reported under the heading "Other Businesses and Investments."

General corporate expenses and Central Hudson's property common to both electric and natural gas segments have been allocated in accordance with practices established for regulatory purposes. The common allocation per the terms of the 2018 Rate Order is 80% for electric and 20% for natural gas.

CH Energy Group Segment Disclosure

(In Thousands)	Three Months Ended September 30, 2021				
	Segments				
	Central Hudson		Other Businesses and Investments	Eliminations	Total
	Electric	Natural Gas			
Revenues from external customers	$ 158,630	$ 20,037	$ -	$ -	$ 178,667
Intersegment revenues	16	28	-	(44)	-
Total operating revenues	158,646	20,065	-	(44)	178,667
Income (loss) before income taxes	12,976	(5,335)	254	-	7,895
Net Income (Loss) Attributable to CH Energy Group	$ 10,601	$ (3,904)	$ 78	$ -	$ 6,775
Segment Assets at September 30, 2021	$ 2,000,230	$ 781,731	$ 21,817	$ (1,251)	$ 2,802,527

CH Energy Group Segment Disclosure
(In Thousands)

	Three Months Ended September 30, 2020				
	Segments		Other Businesses and Investments	Eliminations	Total
	Central Hudson				
	Electric	Natural Gas			
Revenues from external customers	$ 149,732	$ 19,040	$ -	$ -	$ 168,772
Intersegment revenues	14	18	-	(32)	-
Total operating revenues	149,746	19,058	-	(32)	168,772
Income (loss) before income taxes	20,412	(2,962)	47	-	17,497
Net Income (Loss) Attributable to CH Energy Group	$ 16,199	$ (1,785)	$ 28	$ -	$ 14,442
Segment Assets at September 30, 2020	$ 1,832,882	$ 709,258	$ 20,044	$ (928)	$ 2,561,256

CH Energy Group Segment Disclosure
(In Thousands)

	Nine Months Ended September 30, 2021				
	Segments		Other Businesses and Investments	Eliminations	Total
	Central Hudson				
	Electric	Natural Gas			
Revenues from external customers	$ 450,387	$ 121,784	$ -	$ -	$ 572,171
Intersegment revenues	46	226	-	(272)	-
Total operating revenues	450,433	122,010	-	(272)	572,171
Income before income taxes	37,103	13,380	743	-	51,226
Net Income Attributable to CH Energy Group	$ 31,744	$ 10,693	$ 232	$ -	$ 42,669
Segment Assets at September 30, 2021	$ 2,000,230	$ 781,731	$ 21,817	$ (1,251)	$ 2,802,527

CH Energy Group Segment Disclosure
(In Thousands)

	Nine Months Ended September 30, 2020				
	Segments		Other Businesses and Investments	Eliminations	Total
	Central Hudson				
	Electric	Natural Gas			
Revenues from external customers	$ 414,374	$ 111,297	$ -	$ -	$ 525,671
Intersegment revenues	38	165	-	(203)	-
Total operating revenues	414,412	111,462	-	(203)	525,671
Income before income taxes	36,866	14,500	203	-	51,569
Net Income Attributable to CH Energy Group	$ 30,286	$ 11,859	$ 96	$ -	$ 42,241
Segment Assets at September 30, 2020	$ 1,832,882	$ 709,258	$ 20,044	$ (928)	$ 2,561,256

NOTE 15 – Accounting for Derivative Instruments and Hedging Activities

Purpose of Derivatives

Central Hudson enters into derivative contracts in conjunction with the Company's energy risk management program to hedge certain risk exposure related to its business operations. The derivative contracts are typically either exchange-traded or over-the-counter instruments. The primary risks the Company seeks to manage by using derivative instruments are interest rate risk, commodity price risk and adverse or unexpected weather conditions. Central Hudson uses derivative contracts to reduce the impact of volatility in the prices of natural gas and electricity and to hedge exposure to volatility in interest rates for its variable rate long-term debt. Derivative transactions are not used for speculative purposes.

Energy Contracts Subject to Regulatory Deferral

Central Hudson has been authorized to fully recover certain risk management costs through its natural gas and electricity cost adjustment mechanisms. Risk management costs are defined by the PSC as costs associated with transactions that are intended to reduce price volatility or reduce overall costs to customers. These costs include transaction costs and gains and losses associated with risk management instruments. The related gains and losses associated with Central Hudson's derivatives are included as part of Central Hudson's commodity cost and/or price-reconciled in its natural gas and electricity cost adjustment charge mechanisms and are not designated as hedges.

The percentage of Central Hudson's electric and natural gas requirements covered with fixed price forward purchases at September 30, 2021 are as follows:

Central Hudson	% of Requirement Hedged [1]
Electric Derivative Contracts:	0.5 million MWh
November 2021 – December 2021	40.8%
January 2022 – August 2022	21.0%
Natural Gas Derivative Contracts:	0.5 million Dth
November 2021 – December 2021	8.0%
January 2022 – March 2022	6.9%

(1) Projected coverage as of September 30, 2021.

Cash Flow Hedges

Central Hudson has been authorized to fully recover the interest costs associated with its $33.7 million Series B NYSERDA Bonds and its $30.0 million of variable rate debt, which includes costs and gains or losses associated with its interest rate cap contracts.

Derivative Risks

The basic types of risks associated with derivatives are market risk (that the value of the derivative will be adversely impacted by changes in the market, primarily the change in commodity prices and interest rates) and credit risk (that the counterparty will not perform according to the terms of the contract). The market risk of the derivatives generally offset the market risk associated with the hedged commodity.

The majority of Central Hudson's derivative instruments contain provisions that require Central Hudson to maintain specified issuer credit ratings and financial strength ratings. Should Central Hudson's ratings fall below these specified levels, it would be in violation of the provisions and the derivatives counterparties could terminate the contracts and request immediate payment.

To help limit the credit exposure of derivatives, Central Hudson enters into master netting agreements with counterparties whereby contracts in a gain position can be offset against contracts in a loss position. Of the 26 total agreements held by Central Hudson, 11 agreements contain credit risk contingent features. As of September 30, 2021, there were no open contracts with credit risk contingent features in a liability position.

Derivative Contracts

CH Energy Group and Central Hudson have elected gross presentation for their derivative contracts under master netting agreements and collateral positions. On September 30, 2021, December 31, 2020, and September 30, 2020, Central Hudson did not have collateral posted against the fair value amount of derivatives.

The net presentation for CH Energy Group's and Central Hudson's derivative assets and liabilities are as follows (In Thousands):

Description	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amount of Assets Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Gross Amounts Not Offset in the Statement of Financial Position: Cash Collateral Received	Net Amount
As of September 30, 2021[(1)]						
Derivative Contracts:						
Central Hudson - electric	$ 12,681	$ -	$ 12,681	$ -	$ -	$ 12,681
Central Hudson - natural gas	1,027	-	1,027	-	-	1,027
Total CH Energy Group and Central Hudson Assets	$ 13,708	$ -	$ 13,708	$ -	$ -	$ 13,708
As of December 31, 2020[(1)]						
Derivative Contracts:						
Central Hudson - electric	$ -	$ -	$ -	$ -	$ -	$ -
Central Hudson - natural gas	18	-	18	14	-	4
Total CH Energy Group and Central Hudson Assets	$ 18	$ -	$ 18	$ 14	$ -	$ 4
As of September 30, 2020[(1)]						
Derivative Contracts:						
Central Hudson - electric	$ 1,091	$ -	$ 1,091	$ 112	$ -	$ 979
Central Hudson - natural gas	299	-	299	-	-	299
Total CH Energy Group and Central Hudson Assets	$ 1,390	$ -	$ 1,390	$ 112	$ -	$ 1,278

(1) Interest rate cap agreements are not shown in the above chart. As of September 30, 2021, December 31, 2020 and September 30, 2020 the fair value was $0.

Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amount of Liabilities Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Cash Collateral Received	Net Amount
As of September 30, 2021[1]						
Derivative Contracts:						
Central Hudson - electric	$ -	$ -	$ -	$ -	$ -	$ -
Central Hudson - natural gas	-	-	-	-	-	-
Total CH Energy Group and Central Hudson Liabilities	$ -	$ -	$ -	$ -	$ -	$ -
As of December 31, 2020[1]						
Derivative Contracts:						
Central Hudson - electric	$ 2,104	$ -	$ 2,104	$ -	$ -	$ 2,104
Central Hudson - natural gas	49	-	49	14	-	35
Total CH Energy Group and Central Hudson Liabilities	$ 2,153	$ -	$ 2,153	$ 14	$ -	$ 2,139
As of September 30, 2020[1]						
Derivative Contracts:						
Central Hudson - electric	$ 311	$ -	$ 311	$ 112	$ -	$ 199
Central Hudson - natural gas	-	-	-	-	-	-
Total CH Energy Group and Central Hudson Liabilities	$ 311	$ -	$ 311	$ 112	$ -	$ 199

(1) Interest rate cap agreements are not shown in the above chart. As of September 30, 2021, December 31, 2020 and September 30, 2020 the fair value was $0.

Gross Fair Value of Derivative Instruments

Current accounting guidance related to fair value measurements establishes a fair value hierarchy to prioritize the inputs used in valuation techniques based on observable and unobservable data, but not the valuation techniques themselves. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or a liability. Classification of inputs is determined based on the lowest level input that is significant to the overall valuation. The fair value hierarchy prioritizes the inputs to valuation techniques into the three categories described below:

Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs: Directly or indirectly observable (market-based) information. This includes quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3 Inputs: Unobservable inputs for the asset or liability for which there is either no market data, or for which asset and liability values are not correlated with market value.

Derivative contracts are measured at fair value on a recurring basis. As of September 30, 2021, December 31, 2020 and September 30, 2020, CH Energy Group's and Central Hudson's derivative assets and liabilities by category and hierarchy level are as follows (In Thousands):

Asset or Liability Category	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of September 30, 2021[1]				
Assets:				
Derivative Contracts:				
Central Hudson - electric	$ 12,681	$ -	$ 12,681	$ -
Central Hudson - natural gas	1,027	1,027	-	-
Total CH Energy Group and Central Hudson Assets	$ 13,708	$ 1,027	$ 12,681	$ -
Liabilities:				
Derivative Contracts:				
Central Hudson - electric	$ -	$ -	$ -	$ -
Central Hudson - natural gas	-	-	-	-
Total CH Energy Group and Central Hudson Liabilities	$ -	$ -	$ -	$ -
As of December 31, 2020[1]				
Assets:				
Derivative Contracts:				
Central Hudson - electric	$ -	$ -	$ -	$ -
Central Hudson - natural gas	18	18	-	-
Total CH Energy Group and Central Hudson Assets	$ 18	$ 18	$ -	$ -
Liabilities:				
Derivative Contracts:				
Central Hudson - electric	$ 2,104	$ -	$ 2,104	$ -
Central Hudson - natural gas	49	49	-	-
Total CH Energy Group and Central Hudson Liabilities	$ 2,153	$ 49	$ 2,104	$ -
As of September 30, 2020[1]				
Assets:				
Derivative Contracts:				
Central Hudson - electric	$ 1,091	$ -	$ 1,091	$ -
Central Hudson - natural gas	299	299	-	-
Total CH Energy Group and Central Hudson Assets	$ 1,390	$ 299	$ 1,091	$ -
Liabilities:				
Derivative Contracts:				
Central Hudson - electric	$ 311	$ -	$ 311	$ -
Central Hudson - natural gas	-	-	-	-
Total CH Energy Group and Central Hudson Liabilities	$ 311	$ -	$ 311	$ -

(1) Interest rate cap agreements are not shown in the above chart. These are classified as Level 2 in the fair value hierarchy using SIFMA Municipal Swap Curves and 3 month US Dollar Libor rate forward curves. As of September 30, 2021, December 31, 2020 and September 30, 2020 the fair value was $0.

The Effect of Derivative Instruments on the Statements of Income

Realized gains and losses on Central Hudson’s derivative instruments are returned to or recovered from customers through PSC authorized deferral accounting mechanisms, with no material impact on cash flows, results of operations or liquidity. Realized gains and losses on Central Hudson’s energy derivative instruments are reported as part of purchased natural gas, purchased electricity and fuel used in electric generation in CH Energy Group’s and Central Hudson’s Statements of Income as the corresponding amounts are either recovered from or returned to customers through fuel cost adjustment mechanisms in revenues. Additionally, unrealized gains and losses on Central Hudson's derivative contracts have no impact on earnings since the energy contracts are subject to regulatory deferral.

For the three and nine months ended September 30, 2021 and 2020, neither CH Energy Group nor Central Hudson had derivatives designated as hedging instruments. The following table summarizes the effects of CH Energy Group's and Central Hudson's derivatives on the Statements of Income (In Thousands):

	Amount of Gain/(Loss) Recognized as Increase/(Decrease) in the Statement of Income				
	Three Months Ended September 30,		Nine Months Ended September 30,		
	2021	2020	2021	2020	Location of Gain (Loss)
Central Hudson:					
Electricity swap contracts	$ 1,260	$ (2,635)	$ 3,490	$ (13,192)	Deferred purchased electric costs(1)
Natural gas swap contracts	-	-	3	(941)	Deferred purchased natural gas costs(1)
Total CH Energy Group and Central Hudson	$ 1,260	$ (2,635)	$ 3,493	$ (14,133)	

(1) Realized gains and losses on Central Hudson's derivative instruments are conveyed to or recovered from customers through PSC authorized deferral accounting mechanisms with no net impact on results of operations.

Other Hedging Activities

Central Hudson – Electric

In October 2020, Central Hudson entered into a weather option for the period December 1, 2020 through March 31, 2021, to hedge the effect of significant variances in weather conditions on electricity costs. The aggregate limit on the contract was $5 million. The $1.3 million premium paid was amortized to purchased electricity over the term of the contract. The $0.6 million payout earned was recorded as a reduction to purchased electricity in the Statement of Income, with $0.4 million recorded in the first quarter of 2021.

In 2019, Central Hudson entered into a similar weather option for the period December 1, 2019 through March 31, 2020. The aggregate limit on the contract was $5 million. The $1.5 million premium paid was amortized to purchased electricity over the term of the agreement and the payout earned of $0.1 million was recorded as a reduction to purchased electricity in the Statement of Income in the first quarter of 2020.

Central Hudson – Natural Gas

In October 2020, Central Hudson entered into a weather option for the period December 1, 2020 through March 31, 2021, to hedge the effect of significant variances in weather conditions and price on natural gas costs. The aggregate limit on the contract was $5 million. The $1.7 million premium paid was amortized to purchased natural gas over the term of the contract. The $0.1 million payout earned was recorded as a reduction to purchased natural gas in the Statement of Income during the first quarter of 2021.

In 2019, Central Hudson entered into a similar weather option for the period December 1, 2019 through March 31, 2020. The aggregate limit of the contract was $5 million. The $2.2 million premium paid was amortized to purchased natural gas over the term of the agreement. There was no payout earned for the 2019 contract.

NOTE 16 – Other Fair Value Measurements

Other Assets Recorded at Fair Value

In addition to the derivatives reported at fair value discussed in Note 15 – “Accounting for Derivative Instruments and Hedging Activities,” CH Energy Group and Central Hudson report certain other assets at fair value in the Balance Sheets. The following table summarizes the amounts reported at fair value related to these assets (In Thousands):

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of September 30, 2021:				
Other Investments	$ 22,171	$ 22,171	$ -	$ -
As of December 31, 2020:				
Other Investments	$ 14,776	$ 14,776	$ -	$ -
As of September 30, 2020:				
Other Investments	$ 15,103	$ 15,103	$ -	$ -

As of September 30, 2021, December 31, 2020, and September 30, 2020, a portion of the trust assets for the funding of the SERP and Deferred Compensation Plan were invested in mutual funds and money market accounts, which are measured at fair value on a recurring basis. These investments are valued at quoted market prices in active markets and, as such, are Level 1 investments as defined in the fair value hierarchy. These amounts are included in “Other investments” within the Deferred Charges and Other Assets section of the CH Energy Group’s and Central Hudson’s Balance Sheets.

The remaining amount reported in “Other investments” represents trust assets for the funding of the SERP and Deferred Compensation Plan held in trust-owned life insurance policies, which are recorded at cash surrender value. As of September 30, 2021, December 31, 2020, and September 30, 2020, the total cash surrender value of trust-owned life insurance held by these trusts was approximately $35.4 million, $33.1 million, and $32.4 million, respectively. The change in the cash surrender value is reported in “Other – net” income in the CH Energy Group’s and Central Hudson’s Income Statements.

Other Fair Value Disclosure

Financial instruments are recorded at carrying value in the financial statements, however, the fair value of these instruments are disclosed below in accordance with current accounting guidance related to financial instruments.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents: Carrying amount.

Short-Term Borrowings: Carrying amount.

Due to the short-term nature (typically one month or less) of these borrowings, the carrying value is equivalent to the current fair market value.

Long-term Debt: Quoted market prices for the same or similar issues (Level 2).

Valuations were obtained for each issue using the observed Treasury market in conjunction with secondary market trading levels and recent new issuances of comparable companies.

The following table discloses the estimated fair value of both CH Energy Group and Central Hudson's long-term debt, including the current maturities (Dollars in Thousands):

CH Energy Group

	September 30, 2021		December 31, 2020		September 30, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed rate debt	$ 813,744	$ 947,404	$ 783,797	$ 949,413	$ 754,670	$ 909,616
Variable rate debt	63,700	63,700	63,700	63,700	63,700	63,700
Total	$ 877,444	$ 1,011,104	$ 847,497	$ 1,013,113	$ 818,370	$ 973,316
Estimated effective interest rate		3.90%		3.98%		4.05%

Central Hudson

	September 30, 2021		December 31, 2020		September 30, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed rate debt	$ 804,100	$ 936,709	$ 773,250	$ 937,666	$ 743,250	$ 896,924
Variable rate debt	63,700	63,700	63,700	63,700	63,700	63,700
Total	$ 867,800	$ 1,000,409	$ 836,950	$ 1,001,366	$ 806,950	$ 960,624
Estimated effective interest rate		3.87%		3.94%		4.01%

NOTE 17 – Related Party Transactions

Thompson Hine LLP serves as outside counsel to CH Energy Group and Central Hudson. One partner in that firm serves as each corporation's General Counsel and Corporate Secretary. In addition, The Chazen Companies perform engineering services for Central Hudson, and a principal in the firm serves as a director of Central Hudson.

The following are fees paid by CH Energy Group and Central Hudson to Thompson Hine LLP and The Chazen Companies, respectively, as follows (In Thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
CH Energy Group (Thompson Hine LLP)	$ 429	$ 505	$ 1,594	$ 1,651
Central Hudson (Thompson Hine LLP)	$ 418	$ 502	$ 1,564	$ 1,627
Central Hudson (The Chazen Companies)	$ 86	$ 258	$ 588	$ 575

CH Energy Group and Central Hudson may provide general and administrative services ("services") to and receive services from each other, Fortis and other subsidiaries of Fortis. The costs of these services are reimbursed by the beneficiary company through accounts receivable and accounts payable, as necessary. CH Energy Group and Central Hudson may also incur charges from Fortis or each other for the recovery of general corporate expenses incurred by one another, Fortis or other affiliates. In addition, CH Energy Group and Central Hudson may also incur charges from Fortis for federal income taxes under their tax sharing agreement. These transactions are in the normal course of business and are recorded at the United States dollar amounts.

Related party transactions included in accounts receivable and accounts payable for CH Energy Group and Central Hudson are as follows (In Thousands):

	September 30, 2021	December 31, 2020	September 30, 2020
CH Energy Group[1]	Fortis	Fortis	Fortis
Accounts Receivable	$ 598	$ 1,350	$ 1,032
Accounts Payable	$ -	$ -	$ 158

	September 30, 2021			December 31, 2020			September 30, 2020		
Central Hudson[1]	CHEG	Fortis	Other Affiliates	CHEG	Fortis	Other Affiliates	CHEG	Fortis	Other Affiliates
Accounts Receivable	$ 7	$ 43	$ 16	$ 157	$ 25	$ 9	$ 106	$ 24	$ 8
Accounts Payable	$ 1,111	$ -	$ -	$ 931	$ -	$ -	$ 945	$ -	$ -

[1] Fortis amounts include Fortis and all Fortis subsidiaries.

Related party transactions in operating expenses for CH Energy Group and Central Hudson are as follows (In Thousands):

	Three Months Ended September 30, 2021		Three Months Ended September 30, 2020	
	CHEG	Fortis[1]	CHEG	Fortis[1]
CH Energy Group	$ -	$ 1,177	$ -	$ 955
Central Hudson	$ 1,273	$ -	$ 1,075	$ -

[1] Fortis amounts include Fortis and all Fortis subsidiaries.

	Nine Months Ended September 30, 2021		Nine Months Ended September 30, 2020	
	CHEG	Fortis[1]	CHEG	Fortis[1]
CH Energy Group	$ -	$ 3,349	$ -	$ 2,897
Central Hudson	$ 3,651	$ -	$ 3,263	$ -

[1] Fortis amounts include Fortis and all Fortis subsidiaries.

NOTE 18 – Subsequent Events

An evaluation of subsequent events was completed through October 28, 2021, the date these Condensed Consolidated Financial Statements were available to be issued, to determine whether circumstances warranted recognition and disclosure of events or transactions in the Condensed Consolidated Financial Statements as of September 30, 2021.

On October 28, 2021, Central Hudson issued $55 million of Series V Senior Notes, with an interest rate of 3.22% per annum and a maturity date of October 30, 2051. Central Hudson expects to use the proceeds from the sale of the Senior Notes for general corporate purposes, including the repayment of short-term borrowings.

In response to a Long Island Offshore Wind Export Public Policy Transmission Need Project Solicitation issued by the NYISO on August 12, 2021, Transco, partnering with the New York Power Authority ("NYPA"), submitted to NYISO on October 11, 2021, four separate proposed solutions to upgrade existing transmission facilities on Long Island to accommodate 3,000 MWs of anticipated offshore wind generated electricity while also proposing three alternative expansion solutions. Three unrelated developers proposed 12 other proposed solutions. NYISO's response to the solicitation proposals, including the Transco-NYPA proposals, is expected to be issued in 2022. In the event, that a Transco-NPYA proposal is accepted by NYISO, CHET would own, and fund the equity investment associated with, 10% of Transco's portion of the project.

MANAGEMENT'S DISCUSSION and ANALYSIS of FINANCIAL CONDITION and RESULTS of OPERATIONS
For the Nine Months Ended September 30, 2021

This information should be read in conjunction with the Quarterly Condensed Financial Statements and the notes contained herein, and the audited 2020 Annual Financial Report's financial statements and notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

CH Energy Group is the holding company parent corporation of four principal, wholly owned subsidiaries, Central Hudson Gas & Electric Corporation ("Central Hudson" or the "Company"), Central Hudson Enterprises Corporation, Central Hudson Electric Transmission LLC ("CHET") and Central Hudson Gas Transmission LLC ("CHGT"). Central Hudson is a regulated electric and natural gas transmission and distribution utility. CH Energy Group formed CHET to hold its 6.1% ownership interest in New York Transco LLC ("Transco"). Transco is a partnership with affiliates of other investor owned utilities in New York State which was created to develop, own and operate electric transmission projects in New York State. CHGT was formed to hold CH Energy Group's ownership stake in possible gas transmission pipeline opportunities in New York State. All of CH Energy Group's common stock is indirectly owned by Fortis Inc. ("Fortis"), a leader in the North American regulated electric and gas utility industry, with 2020 revenue of CAD$8.9 billion and total assets of approximately CAD$55 billion. Fortis and its subsidiaries' 9,000 employees serve 3.4 million utility customers in five Canadian provinces, nine U.S. states and three Caribbean countries.

Central Hudson purchases, sells at wholesale and retail, and distributes electricity and natural gas at retail, in portions of New York State to electric and natural gas customers and is subject to regulation by the New York Public Service Commission ("PSC" or "Commission").

Purpose and Strategy

Central Hudson's Purpose Statement is **"Together We Power Endless Possibilities,"** which is supported by the following Core Values:

- *We Never Compromise on **Safety***
- *We Value Our **People***
- *We Put the **Customer** First*
- *We Aim for **Excellence** Every Day*
- *We Put Energy Into Our **Communities***

CH Energy Group's strategy is to:
- Invest primarily in electric and gas transmission and distribution; and
- Maintain a financial profile that supports Central Hudson's objective of a credit rating in the "A" category.

Strategy Execution

Management continues to focus on investment in Central Hudson's electric and natural gas infrastructure as the core of its strategy. Central Hudson's five-year forecast includes an average of approximately $260 million of capital expenditures per year. The long-term capital program provides for continued strengthening of existing electric and natural gas infrastructure, resiliency and automation of distribution systems, new common facilities, and investments in cybersecurity and information and distribution system technologies that are expected to allow for greater penetration of distributed energy resources and improve reliability and customer satisfaction.

As part of CH Energy Group's overall strategy to invest in electric transmission and distribution, CHET made an investment in Transco. In April 2019, National Grid and Transco were awarded the Segment B portion of one of their proposals for a transmission project that will improve the flow of power from upstate renewable resources to meet downstate demand and enhance the reliability and resilience of the grid. Transco is authorized to earn a return on equity invested in the project (up to 53% of the project cost) of 9.65%, with up to an additional 1% available for incentives. The project has an estimated cost of $600 million plus interconnection costs, and CHET's equity funding requirement of this cost as a 6.1% owner of Transco is expected to be $19.4 million. At September 30, 2021, CHET's investment in Transco was approximately $12.7 million.

In November 2018, the Transco limited liability company agreement was amended to allow Transco to pursue additional projects that might come out of future New York Independent System Operator's ("NYISO") Public Policy Transmission Planning Processes. In response to a Long Island Offshore Wind Export Public Policy Transmission Need Project Solicitation issued by the NYISO on August 12, 2021, Transco, partnering with the New York Power Authority ("NYPA"), submitted to NYISO on October 11, 2021, four separate proposed solutions to upgrade existing transmission facilities on Long Island to accommodate 3,000 MWs of anticipated offshore wind generated electricity while also proposing three alternative expansion solutions. Three unrelated-developers proposed 12 other proposed solutions. NYISO's response to the solicitation proposals, including the Transco-NYPA proposals, is expected to be issued in 2022. In the event, that a Transco-NPYA proposal is accepted by NYISO, CHET would own, and fund the equity investment associated with, 10% of Transco's portion of the project.

Central Hudson
Business Description and Strategy

Central Hudson is subject to regulation by the PSC. Central Hudson's earnings are derived predominately from the revenue it generates from delivering energy to approximately 300,000 electric and 80,000 natural gas customers, with earnings growth coming primarily from increases in net utility plant. Central Hudson's delivery rates are designed to recover the cost of providing safe and reliable service while affording the opportunity to earn a fair and reasonable return on its capital.

Central Hudson's strategy is to provide exceptional value to its stakeholders by:

- Modernizing and transforming our business through electric and natural gas system investments and process improvements;
- Continuously improving our performance while maintaining cost effective, efficient and secure operations;
- Advocating on behalf of customers and other stakeholders; and
- Investing in programs and employee development to position the organization for continued success in the future.

Central Hudson is committed to a cleaner energy future by supporting New York State's energy policies and its Reforming the Energy Vision goals and strongly believes that maintaining affordability must be part of the solution. Central Hudson is making investments in infrastructure, technologies and programs that cost-effectively reduce carbon emissions while continuing to provide reliable, resilient and affordable power by:

- Upgrading electric transmission and distribution lines, including support for statewide transmission upgrades to deliver renewable energy sources to areas of high electric demand,

including the Hudson Valley, and investments in the regional electric distribution system to facilitate greater levels of locally sited renewable generators;
- Pursuing the lowest cost approach to emission reduction, by examining current incentives to determine which offer the highest value in lowering emissions;
- Integrating natural gas benefits, utilized for fast-start electric generation to enable intermittent renewable resources, and an option for heating and manufacturing;
- Expanding energy efficiency programs, the most cost-effective method to reduce emissions; and
- Advancing environmentally beneficial electrification, for example promoting electric vehicles and heat pumps to lower emissions from the transportation and building heating sectors.

Central Hudson recognizes the importance of its employees and dedicates substantial resources and efforts toward attracting, retaining and developing individuals who exemplify the values that are the cornerstone of our Company. In addition, we work with many outside firms to obtain additional resources to supplement our internal forces to address fluctuations in certain aspects of the Company's operations. Safety is of the utmost importance for our employees and is a priority for our Company. We strive to maintain good relationships with both our union and suppliers of contracted services and to provide a safe, inclusive and diverse environment for all.

Risk Factors

There were no material changes to CH Energy Group's or Central Hudson's risk factors, as set forth in its 2020 Annual Financial Report; however, during the nine months of 2021, the following updates were noted:

COVID-19

We provide essential services to our customers and it is paramount that we keep our employees safe. The outbreak of the Coronavirus pandemic ("COVID-19") has been an ongoing situation that has adversely impacted economic activity and business conditions on a global scale and specifically within Central Hudson's service territory. Along with all major utilities in New York State, we have temporarily suspended service disconnections and finance charges for non-payment to help mitigate the economic impact of COVID-19 on our customers. Central Hudson has not experienced any significant business interruptions as a result of the pandemic, however, there continues to be uncertainty regarding the full economic impact that COVID-19 has had, and may continue to have, on our customers and business.

The two largest impacts on our business relate to lost revenues resulting from waived finance charges and potential future write-offs of uncollectible customer balances. Central Hudson has taken measures to support our customers, employees and communities impacted by COVID-19 and to support the economic recovery in our service territory. For all of its customers, Central Hudson suspended certain collection activities including terminating service for non-payment, waived finance charges and doubled its contribution to its last resort grant program. For small businesses, the Company accelerated certain energy efficiency programs and committed up to $1 million of Economic Development funding through our Back to Business program. Central Hudson has been and continues to be proactively contacting customers regarding past due balances to advise them of certain financial assistance programs available to them and to proactively engage with them in managing these balances with deferred payment arrangements. Central Hudson is also working with local agencies and municipalities to obtain funding for its customers which has been made available through several federal and state programs. Central Hudson has increased its reserve for uncollectible accounts during the first nine months of 2021 by $0.8 million based on a quantitative and qualitative assessment of the growing customer past due balances and management's best estimate of forecasted economic conditions related to COVID-19. No further increases to the reserve have been recorded in the third quarter based on the available funding from these programs to assist customers financially impacted by COVID-19 to pay off their utility arrears balances.

Additionally, Central Hudson's rate filing in August 2020 incorporated reductions from the initial planned rate increase request to mitigate the bill impact on customers. These reductions included delays in certain planned investments and reductions to operations and maintenance ("O&M") which management believes could be accomplished without impacting safety and reliability. Additionally, the Company also included deferral for COVID-19-related costs in its rate filing. Once approved, the required accounting entries to reflect the approved regulatory deferral mechanisms will be recorded.

The Company will continue to monitor COVID-19 related developments, including regulatory or legislative mandates, that may affect our workforce, our customers, contractors and suppliers, our access to capital markets and the potential to recover all or a portion of these incremental costs.

CH Energy Group - Regulated Operations - Central Hudson
Financial Highlights
Period Ended September 30

	Quarter			Year to Date		
	2021	**2020**	**Change**	**2021**	**2020**	**Change**
Electricity Sales (GWh)	1,356	1,421	(65)	3,797	3,769	28
Natural Gas Sales (PJ)	3.2	3.8	(0.6)	17.1	15.8	1.3
(In millions)						
Revenues	$ 178.7	$ 168.8	$ 9.9	$ 572.2	$ 525.7	$ 46.5
Energy Supply Costs - Matched to Revenues	50.0	40.8	9.2	161.5	135.7	25.8
Operating Expenses - Matched to Revenues	26.5	24.9	1.6	77.7	70.9	6.8
Operating Expenses - Other	74.1	65.0	9.1	220.9	208.5	12.4
Depreciation and Amortization	18.1	16.9	1.2	53.9	50.3	3.6
Other Income, net	6.5	5.0	1.5	19.4	16.8	2.6
Interest Charges	8.8	8.7	0.1	27.0	25.7	1.3
Income Taxes	0.9	3.0	(2.1)	8.0	9.2	(1.2)
Net income	$ 6.7	$ 14.4	$ (7.7)	$ 42.4	$ 42.1	$ 0.3

Earnings: Central Hudson's year to date results reflects earnings growth over the prior year period due to the increase in delivery rates effective July 1, 2020 which provided a return on capital invested and recovery of operating expenses in the first half of the year and incentives earned in the first half of 2021 as a result of achieving certain targets and milestones associated with energy efficiency as provided in the 2018 Rate Order. This modest year over year earnings growth was dampened by the suspension of finance charges applied to customers past due balances beginning in the second quarter of 2020 to help alleviate additional financial hardship on customers due to the COVID-19 pandemic. Additionally, lower earnings in the third quarter of 2021 compared to the prior year resulted primarily from a delay in the current rate proceeding, which was expected to provide updated delivery rates effective July 1, 2021. A Joint Proposal ("JP") was filed on August 24, 2021, and a PSC Order in response to the filing is anticipated in the fourth quarter of 2021. The JP provides for new rates to become effective retroactive to July 1, 2021 under a make-whole provision and covers a three-year period through June 2024. Once approved, Central Hudson will record the required accounting entries to reflect the retroactive make-whole provision and the approved regulatory deferral mechanisms. Management does not anticipate the delay in the rate increase will have a material impact on the Company's full year earnings, financial position or cash flow. Decreases in COVID-19 incremental operating expenses in 2021, particularly in the second quarter, were offset on a year to date basis by increases in operating expenses associated with tree trimming and system resiliency and the implementation of Central Hudson's new Customer Information System ("CIS").

Energy supply costs reflect higher electric and natural gas commodity prices coupled with increases in purchase volumes due to a colder 2021 heating season. This did not have a direct impact on earnings due to the full deferral of commodity costs and the revenue decoupling mechanism ("RDM"). Central Hudson is authorized to bill customers volumetric factors for the recovery of bad debt and working capital costs related to commodity purchases, and fluctuations in volume and price will impact the revenues collected through these factors. However, the variation in revenues billed through these volumetric factors was not material.

Electricity Sales

Electricity sales decreased during the quarter due to lower sales to residential and non-residential customers partially offset by an increase in sales for resale. The year over year increase in sales is due to the re-opening of businesses that were previously impacted by the COVID-19 pandemic mandates in 2020. Year over year electricity sales were also impacted by higher sales to residential customers due to changes in consumption patterns as a result of COVID-19 and higher sales for resale.

Natural Gas Sales

Natural gas sales decreased for the quarter due to lower sales to residential, industrial and power generators. The year over year increase in natural gas sales is due to higher sales to firm and interruptible customers partially offset by lower residential sales due to warmer weather. The year over year increase was further impacted by higher residential sales during the 2021 heating season driven by colder weather and changes in consumption patterns as a result of COVID-19.

Depreciation and Amortization: Depreciation increased due to the increased investment in Central Hudson's electric and gas infrastructure in accordance with its capital expenditure program.

Other Income, net: The increase in other income is primarily due to a decrease in the non-service component of pension expense when compared to 2020.

Interest Charges: The increase in interest charges is primarily due to higher underlying long-term debt and short-term borrowings balances.

Income Taxes: The combined effective tax rate for the quarter and year to date is lower than the statutory rate due to tax normalization rules and the flow through impact of changes in the operating reserves.

Central Hudson Revenues - Electric

Period Ended September 30

(In millions)

	Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Revenues with Matching Expense Offsets:[1]						
Recovery of commodity purchases	$ 44.6	$ 38.3	$ 6.3	$ 116.6	$ 103.9	$ 12.7
Sales to others for resale	2.2	0.5	1.7	10.8	3.2	7.6
Other revenues with matching offsets	19.8	19.4	0.4	55.8	52.2	3.6
Subtotal	66.6	58.2	8.4	183.2	159.3	23.9
Revenues Impacting Earnings:						
Customer sales	98.1	99.3	(1.2)	289.3	262.6	26.7
RDM and other regulatory mechanisms	(7.6)	(7.1)	(0.5)	(27.3)	(10.3)	(17.0)
Finance Charges	-	-	-	-	0.9	(0.9)
Incentives earned	-	0.4	(0.4)	1.4	1.3	0.1
System Average Interruption Frequency Index ("SAIFI")	-	(2.3)	2.3	-	(2.3)	2.3
Net plant & depreciation targets	(0.1)	(0.4)	0.3	(1.8)	(2.1)	0.3
Other revenues	1.6	1.6	-	5.6	5.0	0.6
Subtotal	92.0	91.5	0.5	267.2	255.1	12.1
Total Electric Revenues	$ 158.6	$ 149.7	$ 8.9	$ 450.4	$ 414.4	$ 36.0

(1) Revenues with matching offsets do not affect earnings since they offset related costs, the most significant being energy cost adjustment revenues, which provide for the recovery of purchased electricity costs. Other related costs include certain authorized business expenses recovered through rates and the cost of special programs authorized by the PSC and funded with certain available credits. Changes in revenues from electric sales to other entities for resale also do not affect earnings since any related profits or losses are returned or charged, respectively, to customers.

Central Hudson Revenues - Natural Gas

Period Ended September 30

(In millions)

	Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Revenues with Matching Expense Offsets:[1]						
Recovery of commodity purchases	$ 3.2	$ 1.8	$ 1.4	$ 28.8	$ 22.7	$ 6.1
Sales to others for resale	0.2	0.2	-	5.4	5.9	(0.5)
Other revenues with matching offsets	1.1	1.0	0.1	5.9	5.1	0.8
Subtotal	4.5	3.0	1.5	40.1	33.7	6.4
Revenues Impacting Earnings:						
Customer sales	13.9	12.8	1.1	80.6	70.2	10.4
RDM and other regulatory mechanisms	0.4	1.3	(0.9)	(1.9)	2.3	(4.2)
Finance Charges	-	-	-	-	0.3	(0.3)
Incentives earned	-	-	-	0.1	0.3	(0.2)
Net plant & depreciation targets	(0.2)	0.2	(0.4)	(1.9)	(0.9)	(1.0)
Other revenues	1.4	1.7	(0.3)	4.8	5.4	(0.6)
Subtotal	15.5	16.0	(0.5)	81.7	77.6	4.1
Total Natural Gas Revenues	$ 20.0	$ 19.0	$ 1.0	$ 121.8	$ 111.3	$ 10.5

(1) Revenues with matching offsets do not affect earnings since they offset related costs, the most significant being energy cost adjustment revenues, which provide for the recovery of purchased natural gas costs. Other related costs include certain authorized business expenses recovered through rates and the cost of special programs authorized by the PSC and funded with certain available credits. For natural gas sales to other entities for resale, 85% of such profits are returned to customers.

Central Hudson’s revenues consist of two major categories: those that offset specific expenses in the current period (matching revenues) and those that impact earnings. Matching revenues represent amounts billed in the current period to recover costs for particular expenses (most notably, purchased electricity and purchased natural gas, pensions and other post-employment benefits (“OPEB”) and New York State energy efficiency programs). Any difference between these revenues and the actual expenses incurred is deferred for future recovery from or refund to customers and, therefore, does not impact earnings, with the exception of related carrying charges, which are recorded within other income or interest charges in the CH Energy Group and Central Hudson Statements of Income.

Electric Revenues:

The quarter over quarter and year over year increase in electric revenues is primarily due to higher recovery of purchased commodity costs driven by an increase in price, as well as higher sales volume in the first half of 2021. Further impacting year over year revenues was the increase in customer delivery rates effective July 1, 2020 and the regulatory deferral related to SAIFI which was above the PSC prescribed target during the third quarter of 2020.

Natural Gas Revenues:

The quarter over quarter and year over year increase in natural gas revenues is primarily due to higher recovery of purchased commodity costs driven by an increase in price, as well as an increase in sales volumes in the first half of 2021. Further impacting year over year revenues was the increase in customer delivery rates effective July 1, 2020.

Central Hudson Operating Expenses

Period Ended September 30

(In millions)	Quarter			Year to Date		
	2021	2020	Change	2021	2020	Change
Expenses Currently Matched to Revenues:(1)						
Purchased electricity	$ 46.8	$ 38.8	$ 8.0	$ 127.4	$ 107.1	$ 20.3
Purchased natural gas	3.4	2.1	1.3	34.3	28.8	5.5
Pension & OPEB	4.3	3.5	0.8	12.7	10.0	2.7
New York State energy efficiency programs	10.6	11.2	(0.6)	30.9	30.1	0.8
Major storm reserve	3.6	3.2	0.4	9.4	9.0	0.4
Low income programs	2.6	2.6	-	9.1	8.6	0.5
Other matched expenses	5.2	4.3	0.9	15.4	13.0	2.4
Subtotal	76.5	65.7	10.8	239.2	206.6	32.6
Other Operating Expenses:						
COVID-19 incremental operating expenses	0.1	0.4	(0.3)	0.9	3.7	(2.8)
COVID-19 related uncollectible reserve	-	0.8	(0.8)	0.8	2.0	(1.2)
Depreciation and amortization	18.1	16.9	1.2	53.9	50.3	3.6
Property and school taxes(2)	13.7	13.6	0.1	45.4	42.9	2.5
Weather related service restoration	3.0	3.0	-	5.7	5.2	0.5
Distribution and transmission maintenance	1.5	1.7	(0.2)	4.8	4.9	(0.1)
Information technology ("IT")	3.7	2.1	1.6	10.7	7.6	3.1
Labor and related benefits	25.3	21.2 (3)	4.1	74.8 (3)	71.2 (3)	3.6
Incremental resilience expense - Storm Isaias	1.5	-	1.5	1.5	-	1.5
Tree trimming	6.0	4.9	1.1	18.1	16.8	1.3
Other expenses	19.3	17.3 (3)	2.0	58.2 (3)	54.2 (3)	4.0
Subtotal	92.2	81.9	10.3	274.8	258.8	16.0
Total Operating Expenses	$ 168.7	$ 147.6	$ 21.1	$ 514.0	$ 465.4	$ 48.6

(1) Includes expenses that, in accordance with the 2018 Rate Order, are adjusted in the current period to equal the revenues billed for the applicable expenses and the differences are deferred.
(2) In accordance with the 2018 Rate Order, Central Hudson is authorized to continue to defer for the benefit of or recovery from customers 90% of any difference between actual property tax expense and the amounts provided in rates for each Rate Year. Central Hudson's portion is limited to 5 basis points, with a maximum of approximately $0.5 million, pre-tax per Rate Year.
(3) Certain expenses reported for the three and nine months September 30, 2020 have been reclassified to "Labor and related benefits" to conform to the current period presentation.

Operating Expenses:

The increase in operating expenses for the quarter and year to date is primarily attributed to higher purchased commodity cost for both electric and natural gas, driven by both higher sales volumes and commodity prices. Further impacting the increase for the quarter is IT and labor expenses related to the implementation of CIS during the current quarter. The year to date increase includes certain expenses incurred as provided for in delivery rates including property taxes, IT, tree trimming and distribution and transmission maintenance expenses. Partially offsetting these increases in the current year is the decrease in COVID-19 related operating expenses which for 2020 included the sequestration of key employees to ensure the continued reliability of system operations, additional personal protective equipment and cleaning supplies along with an increase in the allowance for credit losses during 2020 based on a qualitative assessment and estimated forecast of economic conditions.

Variations in purchased natural gas and electricity costs and other expenses currently matched to revenues do not have a direct impact on earnings due to Central Hudson’s regulatory mechanism for the full deferral of these expenses.

Financial Position

CH Energy Group – Regulated – Central Hudson
Significant Changes in the Balance Sheets
For the nine months ended September 30, 2021
(In millions)

Balance Sheet Account	Increase (Decrease)	Explanation
Accounts receivable, net of allowance for uncollectible accounts	10.1	Increase primarily due to higher commodity prices and the impacts of the COVID-19 pandemic on customers, including legislative actions related to suspending service terminations for non-payment and offering more flexible payment arrangements.
Accrued unbilled utility revenues, net of allowance for uncollectible accounts	(7.7)	Decrease reflects the seasonality of the business.
Fair value of derivative instruments	13.7	Increase due to higher unrealized mark-to-market gains related to open electric and natural gas derivative contracts primarily as a result of higher fuel costs.
Special deposits and prepayments	5.2	Increase primarily due to prepayments related to natural gas storage agreement and school and municipality taxes.
Regulatory assets - deferred pension plan costs	(6.1)	Decrease is primarily attributed to pension costs below amounts provided in rates coupled with the amortization of prior service cost.
Regulatory assets - long term	8.3	Increase primarily related to costs incurred for energy efficiency programs, major storm expenses in excess of the rate allowance and additional revenue requirement earned for the replacement of leak prone pipe, partially offset by collections through the rate adjustment mechanisms and amounts collected in rates in excess of environmental expenses.
Other investments	9.5	Increase primarily due to funding of the non-qualified Supplemental Executive Retirement Plan.

Other assets - long term	10.1	Increase reflects $10.4 million received and held in escrow for a System Deliverability Upgrade project pursuant to terms and conditions of the New York Independent System Operator's ("NYISO") Open Access Transmission Tariff ("OATT").
Long term debt, including current maturities	30.8	Increase due to issuance of $75 million in long-term debt in March 2021, partially offset by the repayment of $44.2 million of maturing debt in April 2021.
Notes Payable	55.0	Increase related to short-term borrowings to meet higher working capital needs.
Regulatory liabilities - long term	9.6	Increase primarily due to higher unrealized mark-to-market gains related to open electric and natural gas derivative contracts and the related deferred income taxes coupled with negative revenue adjustments as a result of net plant targets, partially offset by bill credits provided to customers and the amortization of plant related deferred tax liabilities that resulted from the enactment of the Tax Cuts and Jobs Act.
Other liabilities - long term	10.6	Increase primarily due to $10.4 million received and held in escrow for a System Deliverability Upgrade project.

Liquidity and Capital Resources

CH Energy Group - Regulated, Non-regulated and Holding Company Summary of Cash Flow
Period Ended September 30

(In millions)

	Year to Date	
	2021	**2020**
Cash, cash equivalents and restricted cash - beginning of period	$ 12.8	$ 21.1
Cash from operations pre-working capital	106.8	91.4
Working capital	(17.0)	27.5
Operating Activities	89.8	118.9
Investing Activities	(174.9)	(192.3)
Financing Activities	93.9	73.6
Cash, cash equivalents and restricted cash - end of period	$ 21.6	$ 21.3

Operating Activities: The increase in cash from operations pre-working capital in 2021 as compared to 2020 was primarily attributable to the increase in delivery rates which provided earnings on rate base growth, a deposit received and held in escrow and lower storm costs incurred when compared to 2020. These increases were partially offset by the cash benefit of delayed payment of payroll taxes in 2020 in accordance with the Coronavirus Aid, Relief, and Economic Security Act. Working capital needs resulted in a decrease in cash flow during the nine months of 2021 compared to the prior year primarily due to an increase in electric energy and natural gas costs, refunds to customers for previous billings, the impacts of the COVID-19 pandemic on customer collections, the timing of school tax payments and the collection of costs in the prior year related to contributions in aid of construction for a developers' share of a capital project. These increases were partially offset by the billing of the delayed delivery rate increase.

Investing Activities: Cash used in investing activities during the nine months ended September 30, 2021 was $17.4 million lower than the same period in 2020 primarily due to planned reductions in spending on capital projects. Full-year investment is estimated to be approximately $230 million in 2021, compared to actual spend of $253 million for 2020, and includes continued strengthening of existing electrical and natural gas infrastructure, resiliency and automation of distribution systems, new common facilities and investments in cybersecurity and information and distribution system technologies.

Financing Activities: The increase in cash from financing activities of $20.3 million during the nine months ended September 30, 2021 was primarily driven by the increase in short-term borrowings of $55 million due to higher working capital needs, partially offset by lower net proceeds from long-term borrowings and lower equity capital contributions in 2021 when compared to 2020.

Anticipated Sources and Uses of Cash

CH Energy Group's cash flow is primarily generated by the operations of its utility subsidiary, Central Hudson. Generally, the subsidiary does not accumulate significant amounts of cash but rather re-invests its earnings into future capital investments and distributes excess cash to CH Energy Group in the form of dividends or receives capital contributions from CH Energy Group to meet equity financing needs.

Central Hudson expects to fund capital expenditures with cash from operations, a combination of short-term and long-term borrowings and capital infusions. Central Hudson may alter its plan for capital expenditures as its business needs require.

Central Hudson intends to fund growth in its long-lived assets in a manner that maintains an equity ratio aligned with its delivery rates. That ratio is currently 50% and is expected to decrease to 48% over the three years in the JP which is expected to be approved by the PSC in the fourth quarter of 2021. Central Hudson plans to utilize short-term debt to fund seasonal and temporary variations in working capital requirements. If wholesale energy prices increase, Central Hudson would expect a corresponding increase in its current level of working capital.

Central Hudson's secondary sources of funds are its cash reserves and credit facilities. Central Hudson's ability to use its credit facilities is contingent upon maintaining compliance with certain financial covenants. Central Hudson does not anticipate that those covenants will restrict its access to funds in 2021 or the foreseeable future.

CH Energy Group and Central Hudson are actively monitoring effects on cash flow related to the impact of COVID-19 on the economy of its utility service territory, customers, and operations. As a provider of essential electricity and natural gas services, Central Hudson has seen uninterrupted demand throughout the pandemic and economic recovery. Cash expended by the Company for pandemic response activities was partially mitigated by reductions in other planned expenditures. Central Hudson has not experienced any issues with accessing capital markets during the pandemic, having successfully secured new financing throughout 2020 and into 2021, all at favorable interest rates. Central Hudson's delivery rate increase is still pending but once the JP is approved it is expected to be implemented retroactively to July 1, 2021. While Management took initiatives to mitigate the impact of any rate increase on customers during this difficult economic environment, the requested increase would continue to provide the necessary cost recovery to ensure safe and reliable service, as well as a reasonable rate of return on its investment. At this time, CH Energy Group believes cash generated from operations and funds obtained from its financing program will be sufficient for the remainder of 2021 and the foreseeable future to meet working capital needs, fund Central Hudson's capital program, CHET's current investment obligations in Transco and meet Central Hudson's public service obligations and growth objectives.

Committed Credit Facilities

The PSC issued a Financing Order, effective September 13, 2018, authorizing Central Hudson to enter into credit agreements with maturities of no more than five years and in an aggregate amount not to exceed $200 million. On March 13, 2020, Central Hudson entered into a $200 million, five-year revolving credit agreement with five commercial banks to replace the agreement that was set to expire on October 15, 2020. Proceeds received from the revolving credit agreement are to be used for working capital needs and for general corporate purposes. Letters of credit are available up to $15 million from three participating banks. The credit facility is subject to certain covenants and certain restrictions and conditions as well as Central Hudson is required to pay a commitment fee calculated at a rate based on the applicable Standard and Poor's ("S&P") or Moody's rating on the average daily unused portion of the credit facility.

At September 30, 2021 there were $65 million in borrowings outstanding under the committed credit arrangements for Central Hudson. At December 31, 2020 there were no amounts outstanding under the committed credit arrangements for Central Hudson.

Uncommitted Credit

At September 30, 2021 and December 31, 2020, Central Hudson had uncommitted short-term credit arrangements with two commercial banks totaling $30 million. At September 30, 2021 and December 31, 2020, CH Energy Group and Central Hudson had $5 million and $15 million in borrowings outstanding, respectively under Central Hudson's uncommitted credit agreements.

Central Hudson's Bond Ratings

	September 30, 2021		December 31, 2020	
	Rating(1)	Outlook	Rating(1)	Outlook
S&P	A-	Stable	A-	Stable
Moody's	Baa1	Stable	A3	Negative
Fitch	A-	Stable	A-	Stable

(1) These senior unsecured debt ratings reflect only the views of the rating agency issuing the rating, are not recommendations to buy, sell, or hold securities of Central Hudson and may be subject to revision or withdrawal at any time by the rating agency issuing the rating. Each rating should be evaluated independently of any other rating.

On September 22, 2021, Moody's downgraded Central Hudson's senior unsecured credit rating from A3 with a negative outlook to Baa1 with a stable outlook. Moody's stated the downgrade reflects the projected weakness in financial metrics, including a reduction in operating cash flow following the passage of federal tax reform and declining revenue and cash flow from the reduction in regulatory liability balances and growth in regulatory assets resulting from the Company's proposed rate settlement, as well as increased political intervention into utility finances. On March 2, 2021, S&P published an updated report confirming no changes in its ratings or outlook. On December 11, 2020, Fitch affirmed its rating (A-) and stable outlook.

Central Hudson meets its need for long-term debt financing through privately placed debt. As a regulated electric and natural gas utility company, Central Hudson is required to obtain authorization from the PSC to issue securities with maturities greater than 12 months.

On June 29, 2021, Central Hudson filed a petition with the PSC seeking approval to enter into multi-year committed credit agreements to provide committed funding to meet expected liquidity needs in amounts not to exceed $250 million in the aggregate and with maturities not to exceed five years, and approval to issue and sell long-term debt from time to time through December 31, 2024, in an aggregate amount not to exceed $475 million.

In accordance with the approved 2018 Financing Order, Central Hudson is authorized to issue and sell long-term debt in an aggregate amount not to exceed $425 million through December 2021, including $360 million for traditional utility purposes and up to $65 million to refinance its variable interest debt.

On October 28, 2021, Central Hudson issued $55 million of Series V Senior Notes, with an interest rate of 3.22% per annum and a maturity date of October 30, 2051. Central Hudson expects to use the proceeds from the sale of the Senior Notes for general corporate purposes, including the repayment of short-term borrowings.

On March 16, 2021, Central Hudson issued $75 million of Series U Senior Notes, with an interest rate of 3.29% per annum and a maturity date of March 16, 2051. Central Hudson used a portion of the proceeds from the sale of the Senior Notes to repay $44.2 million of maturing debt on April 1, 2021. The remaining net proceeds were used for general corporate purposes.

Central Hudson's strong investment-grade credit ratings help facilitate access to long-term debt; however, management can make no assurance that future financing will be available or economically reasonable.

CH Energy Group and Central Hudson's capital structure is as follows: *(Dollars in millions)*

CH Energy Group

	September 30, 2021		December 31, 2020	
		%		%
Long-term Debt[1]	$ 877.5	47.3	$ 847.5	49.3
Short-term Debt	70.0	3.8	15.0	0.9
Common Equity	907.9	48.9	855.8	49.8
Total	$ 1,855.4	100.0	$ 1,718.3	100.0

(1) Includes current maturities of long-term debt.

Central Hudson

	September 30, 2021		December 31, 2020	
		%		%
Long-term Debt[1]	$ 867.8	47.2	$ 837.0	49.1
Short-term Debt	70.0	3.8	15.0	0.9
Common Equity	900.9	49.0	852.4	50.0
Total	$ 1,838.7	100.0	$ 1,704.4	100.0

(1) Includes current maturities of long-term debt.

Summary of Changes in Accounting Policies since December 31, 2020

Regulation: There were no material changes to Central Hudson's regulatory accounting policies during the nine months ended September 30, 2021.

Critical Accounting Estimates: There were no material changes to CH Energy Group's or Central Hudson's critical accounting estimates during the nine months ended September 30, 2021.

GAAP Accounting Policies: There were no changes to CH Energy Group's or Central Hudson's accounting policies during the nine months ended September 30, 2021.

Changes in Internal Controls over Financial Reporting

During the third quarter of 2021, Central Hudson implemented a new CIS resulting in a material change in internal controls over financial reporting. Central Hudson replaced its legacy CIS, which was a meter premise-based system, with a customer-based solution focusing on core meter to cash capabilities and core utility business processes. The new system provides enhanced internal controls over financial reporting through further automation of (1) business process controls and (2) segregation of duties over metering, billing, and payment transactions. Pre-implementation planning, design and testing was conducted by management to ensure that internal controls surrounding the system implementation process, the application, the related business processes, and closing process were operating effectively to prevent material financial statement errors. Such procedures included the review of required documents, user acceptance testing, change management procedures, access controls, data migration strategies and reconciliations, key configuration and key report testing, application interface testing and other standard application controls. Central Hudson continues to conduct post-implementation monitoring and process modifications in order to maintain an effective control framework.

There have been no changes, except as previously discussed, in internal controls over financial reporting for CH Energy Group or Central Hudson during the nine months ended September 30, 2021, that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

Regulatory Proceedings

There were no material changes to regulatory proceedings disclosed in the 2020 Annual Financial Report; however, activity related to on-going and new proceedings in 2021 are noted below. We cannot predict the ultimate outcome or whether on-going proceedings would potentially impact Central Hudson in the future. Should it become reasonably possible or probable in the future that a loss will be sustained from any of the below proceedings, disclosure that it is reasonably possible or an accrual of the probable amount of loss will be made consistent with our accounting policies.

August 2020 Rate Filing

Central Hudson filed an electric and natural gas rate case (Cases 20-E-0428 and 20-G-0429) on August 27, 2020 with the PSC seeking electric and natural gas delivery revenue increases. On August 24, 2021, the Company, Staff and several parties representing customer, commercial, municipal and environmental interests signed and filed the JP. The JP:

- establishes the Company's future energy infrastructure investments, programs and operations;
- stabilizes electric rates in the first year with a slight decrease for residential customers;
- reflects modest increases in gas rates producing bill impacts just over one percent each Rate Year ("RY");
- helps to aid in pandemic recovery while supporting efforts to meet New York's climate goals;
- provides Central Hudson with required rate relief to support ongoing operations and maintenance and necessary investments in its electric, natural gas and IT systems and;
- includes several deferrals that provide the Company authorization to defer COVID-19 Incremental O&M Costs net of savings, lost revenues (finance charges and reconnection fee revenues), and uncollectible write-offs.

The JP provides for new rates to become effective retroactive to July 1, 2021 under a make-whole provision, covers the three-year period through June 2024 and utilizes existing regulatory balances to reduce bill impacts for customers during the term of the agreement. The JP also reflects a postponement of certain capital projects in order to manage capital expenditures, as well as reductions to O&M costs. The total electric revenue decrease/increase (after bill credits) is -0.2%, 1.2%, and 1.2% for RY1 through RY3, respectively, and the total natural gas revenue increase (after bill credits) is 1.9%, 1.8%, and 1.8% for RY1 through RY3, respectively. The proposed rate plan also includes an allowed ROE of 9.0% and an equity ratio of 50%, 49% and 48% for RY1 through RY3, respectively.

Although the statutory 11-month period for response from the PSC has been extended, a PSC Order in response to the filing is anticipated in the fourth quarter of 2021. Once approved, the Company will record the required accounting entries to reflect the retroactive make-whole provision and the approved regulatory deferral mechanism. Management does not anticipate the delay in the PSC Order will have a material impact on the Company's full year earnings, financial position or cash flow.

August 2020 Tropical Storm Isaias
On August 5, 2020, the New York State Governor instituted proceeding 20-01633 directing the Commission to initiate an investigation of certain New York State utilities' responses to Tropical Storm Isaias, which impacted Central Hudson's service territory on August 4, 2020. On November 19, 2020, New York State Department of Public Service ("DPS") issued an interim Storm Report setting forth preliminary findings, including purported failures by the identified utilities to comply with their respective Commission approved Emergency Response Plans and Show Cause ("Show Cause Order") that initiated proceedings against Central Hudson and the other utilities. The Show Cause Order identified 32 apparent violations by Central Hudson, which, if established, could have resulted in up to $16 million of penalties. Central Hudson filed its response to the Show Cause Order on December 21, 2020. The Company performed a thorough investigation and, as indicated in its response, believed no penalty should be issued because the facts demonstrated that Central Hudson fully complied with its Commission-approved Emergency Response Plan, which served as the standard against which Central Hudson should be evaluated. On February 23, 2021, Central Hudson filed a Notice of Impending Settlement Negotiations. On July 7, 2021, Central Hudson and New York State DPS entered into a Settlement Agreement, which included a commitment by Central Hudson to establish a $1.5 million regulatory liability to be used by Central Hudson to support or advance storm restoration and/or electric system resiliency and reliability in excess of amounts funded by customers. The Commission approved the Settlement Agreement within the Order Granting Motion and Adopting Settlement Agreement on July 15, 2021. The Settlement Agreement does not include any finding or admission of any violation by Central Hudson, and it specifies that the settlement amount is not a penalty.

Federal Energy Regulatory Commission ("FERC") Proceeding
On December 31, 2019, Central Hudson submitted to FERC a new rate schedule pursuant to Rate Schedule 12 of the NYISO OATT to establish a Facilities Charge for System Deliverability Upgrades ("SDU") being installed on Central Hudson's transmission facilities, which are required to provide four Large Generating Facility Developers with Capacity Resource Interconnection Service. This charge provides Central Hudson with full recovery of all reasonably incurred costs related to the development, construction, operation and maintenance of the SDU and a reasonable return on its investment. Project costs to be recovered by Central Hudson and allocated to the Load Serving Entities pursuant to Rate Schedule 12 of the NYISO OATT are expected to be approximately $2.6 million plus operation, maintenance and other applicable costs and will be updated annually. Parties submitted an Offer of Settlement with the FERC on June 30, 2021, which included an updated ROE of 9.4% plus a 50 basis point adder for a total ROE of 9.9%. The settlement was certified as uncontested by the designated settlement judge on August 3, 2021 and was subsequently approved by FERC on October 4, 2021.

Central Hudson 2021 Financing Petition
On June 29, 2021, Central Hudson filed under Section 69 of the Public Service Law a request to obtain approval to enter into multi-year committed credit agreements in an aggregate amount not to exceed $250 million and maturities not to exceed five years, and approval to issue and sell long-term debt from time to time through December 31, 2024, in an aggregate amount not to exceed $475 million.

Climate Change
On March 19, 2021, the City of New York Environmental Defense Fund, Natural Resources Defense Council and Sabin Center for Climate Change Law filed a petition with the Commission requesting that every major utility conduct a distinct climate change vulnerability study which should include the following:
(1) assess how future projections of climate risks and climate variability for New York State and utilities' specific service area will impact their key assets and facilities, utilities overall system operations, supply chain, worker safety, and emergency response capabilities;
(2) identify and prioritize key vulnerabilities based upon the assessment in step 1;

(3) evaluate and develop options to ameliorate, mitigate, or minimize the risks identified, including risk mitigation relative to cost, and specifically for electric and gas utilities, consider the required transformation to achieve climate change mitigation targets; and
(4) develop a plan and organizational approach to achieve effective and accountable climate governance, including ensuring executive accountability, collecting and monitoring climate and weather indicators, incorporating climate resiliency into existing planning processes and developing resiliency metrics to track progress over time.

On June 28, 2021 the Joint Utilities ("JU") filed a response to the matters raised in the Climate Change Study Petition centering on the need for: (1) the need for a statewide process to develop climate scenarios; (2) management and executive oversight; (3) a defined correlation of this work to the goals established in the Climate Leadership and Community Protection Act ("CLCPA"); (4) a consistent set of resilience metrics; and (5) cost recovery of any incremental costs incurred to perform the study. The JU comments note there are numerous climate change efforts that can impact the development of climate vulnerability studies and climate adaptation plans in New York State including legislation that the New York State Legislature passed on June 10, 2021, although not yet signed by the Governor, requiring electric utilities to develop vulnerability studies and storm hardening plans.

The Sabin Center for Climate Change Law and the Initiative on Climate Risk and Resilience Law jointly filed comments in support of the Climate Change Study, which included an assertion that "utilities cannot adequately plan for storms based on historical data that does not account for the changing climate" but instead must rely on a "long-term assessment of risks based on future climate predictions." On August 9, 2021, the JU filed reply comments to address this assertion, stressing the importance of using historical data as a baseline for any reliability, resiliency, and storm response planning.

Low Income Energy Affordability & COVID-19 Proceeding
On February 4, 2021, Staff issued a whitepaper on New York State Energy Affordability Policy ("EAP"), Case 14-M-0565, proposing potential modifications and improvements to the distribution utility's energy affordability program for low-income customers. The report includes 24 recommendations to the Commission's EAP, which also incorporates specific related comments received in the COVID-19 Proceeding in Case 20-M-0266. The recommendations include: (1) proposed modifications to the utilities' EAP budget development methodologies, (2) recommendations for greater statewide standardization of utility programs to the maximum extent feasible, including continued automatic enrollment of low-income participants into each utility's levelized budget billing programs, inclusion of all ratepayers that are recipients of any financial assistance programs described in the Staff whitepaper and adopting a uniform statewide annual filing date to submit updates to their energy affordability programs and tariff amendments, and (3) development of customer Arrears Management Programs funded 50% by the Utility shareholders with an overall funding level that is based on 10% of the difference between pre-COVID arrears and post-COVID arrears. In response to the Staff whitepaper, Central Hudson along with the JU filed interrogatory responses associated with the capabilities of current billing systems to implement the proposed arrears management program.

On August 12, 2021, the Commission issued an Order adopting EAP modifications and directing the Utilities to file several compliance filings and studies to standardize and improve customer enrollment processes and provide additional data in order to analyze future EAP changes. Modifications to the EAP provide relief to low-income customers by increasing the number of customers enrolled in the utility low-income assistance programs and increasing bill discount levels for program participants. In the near term, utilities will increase EAP participation by including customers who can provide documentation of proof of their enrollment in public assistance programs associated with the federal Lifeline program. Additionally, the Commission directed each utility to calculate bill discounts using the midpoint income calculation for each tier as described in the Staff whitepaper, which is expected to increase the Electric EAP budgets from $2.4 million to $9.6 million. Further, the Commission ordered the utilities to analyze and address: 1) the standardization of certain aspects of the utility programs; 2) the identification of low-income customers through data sharing and file matching between utilities and the New York State Office of Temporary and Disability Assistance and a customer self-certification mechanism; 3) the stratification of low-income customers into additional tiers or usage groups to enhance bill discount targets; and, 4) the identification of highest usage low income customers for participation in energy efficiency programs. Finally, the Commission stated that Staff's whitepaper recommendations 18-21, which focused on Arrears Management Programs and COVID-19 relief, will be addressed in a future Commission Order.

Modifications to New York State Standard Interconnection Requirements
On March 18, 2021, the Commission issued an Order in response to the JU seeking amendments to the system upgrade cost-sharing provisions contained in the New York State Standardized Interconnection Requirements and Application process for New Distributed Generators and Energy Storage Systems 5 MW or Less Connected in Parallel with Utility Distribution Systems to modify the existing cost sharing methodology, which has been in place since January 2017. The Commission authorized temporary measures to ensure interconnection applications that would benefit from a more equitable cost-sharing methodology remain in the interconnection process until the Commission addresses the full scope of the Petition in a future Order. Central Hudson implemented the required interim cost-sharing mechanism effective as of the issuance of the Order.

Subsequently on July 16, 2021, The Commission issued an Order adopting amendments to cost-sharing mechanisms proposed by the JU, subject to modifications which include minimum subscription thresholds and a "free-rider" protection mechanism. The Order directs the JU to complete the following: consult with other participants in the Interconnection Policy Working Group ("IPWG") and file relevant revisions to the Standardized Interconnection Requirements (including addressing the "free-rider" concern); consult with DPS Staff and the IPWG to identify and propose relevant adjustments to hosting capacity maps; and file a proposal for a reimbursement mechanism. These requirements are due on October 28, 2021, as per an approved extension by the Commission.

Gas Planning Procedures
On February 12, 2021, Staff filed the Gas System Planning Process Proposal which offers a modernized gas planning process for the gas distribution utilities in New York State and a Staff Moratorium Proposal that identifies procedures and criteria for managing moratoria on new attachments to the gas distribution systems. On March 25, 2021, Staff held a Stakeholder Forum to provide interested entities with an opportunity to engage with Staff to better understand the proposals. The Joint Local Distribution Companies filed Initial comments on the Staff proposals on May 3, 2021 and filed Reply Comments on June 4, 2021.

Strategic Use of Energy Data Proceeding
On March 19, 2020, the Commission issued an Order Instituting Proceeding: Strategic Use of Energy Related Data in Case 20-M-0082 to combine the multiple proceedings where data related topics have been addressed in recent years. On February 11, 2021, the Commission issued an Order Implementing an Integrated Energy Data Resource ("IEDR") and, on April 15, 2021, issued an Order Adopting Data Access Framework ("DAF") and Establishing Further Process. The two Orders establish a statewide data repository, and the framework for the repository, which will be administered by New York State Energy Research and Development Authority ("NYSERDA") and is meant to assist Energy Service Entities ("ESE") in developing Distributed Energy Resources ("DER") to help New York meet its CLCPA goals.

The Order Implementing an IEDR requires utilities to establish an IEDR Implementation Team, led by a member of the Company's senior management team. The Commission established a budget cap of $13.5 million for the Program Sponsor's efforts for Phase 1, including $12 million for procured resources and $1.5 million for the NYSERDA administrative costs as Project Sponsor. The Order directs that program costs be allocated and collected from the jurisdictional electric utilities in the same manner as the current authorized costs are being allocated and collected via the existing Bill-As-You-Go ("BAYG") agreements that NYSERDA has with each utility. Phase 1 should be completed in 24 – 30 months. Phase 2 should be completed in 30 – 36 months following completion of Phase 1. Operation of the utility's IEDR data feeds should persist for the life of the IEDR (multiple decades). The Order directs utilities to file quarterly reports on IEDR project planning and investment and NYSERDA to file an initial Implementation Plan, an updated BAYG Summary, quarterly reports and program reports on Phase 1 and Phase 2.

The Order Adopting a DAF incorporates the existing Commission established data access requirements to date including cybersecurity and privacy requirements and establishes data quality and integrity standards criterion to be met by the utility, or data custodian, for application or use case specific purposes. The Order also establishes a process that ensures the utilities will play a role with increasing customers' familiarity with appropriate data sharing options. The JU made numerous filings in compliance with the Order including the identification of available data points that were omitted from the data sets in the Order, a proposal for an alternative method of account identification for completing ESE customer transactions, and the submission of a Consent Process Assessment and Customer Consent Engagement Plan. On September 20, 2021, the JU filed a comprehensive Data Access Implementation Plan ("DAIP") that provides a uniform method for developing statewide data access requirements. Implementation of the DAIP, when approved by the Commission, will require significant work including the procurement of a Data Ready Certification provider and development of the associated platform.

Utility Energy Registry

The Utility Energy Registry ("UER") is an online platform to provide streamlined public access to aggregated community-scale energy usage data. On April 20, 2018, the Commission directed NYSERDA and the utilities to fully implement the UER, adopt the data sets and privacy screens for inclusion of certain data sets on the platform, and establish reporting requirements. On August 12, 2021, the Commission issued an Order adopting UER modifications including directing NYSERDA to form a standing UER working group to manage and publish versions of the New York State UER Protocols, identify refinements and additions to the structure of the reported data fields, and rebalance the application of UER use case specific privacy screens.

On September 13, 2021, Central Hudson and the JU requested rehearing of the Commission's changes to the privacy screen applied to aggregated data before it is sent to the UER. The rehearing request states that the UER Modification Order departs from established Commission policy and relied on an incorrect assumption. The JU rehearing request also outlines how the Commission-directed changes to the privacy screen create a heightened risk of exposure for customers whose energy usage represents a high percentage of the aggregated data.

Allocated Cost of Service/Standby Rates

The central issue in this proceeding is the allocation of costs between the categories comprising the contract demand charge and the as-used demand charge, such that standby rates truly reflect cost causation. The JU and other parties have presented various methods of cost allocation through public filings, technical conference discussions, and written comments. In the DPS Staff and NYSERDA's Whitepaper on Allocated Cost of Service Methods Used to Develop Standby and Buyback Service Rates, DPS Staff proposed a decision tree framework for performing these allocations. The JU and other parties have interpreted the decision tree methodology in different ways, and parties have made various recommendations to change this methodology. In the spirit of trying to find an approach that might be acceptable to the parties, the JU developed an alternative methodology for the allocation of costs that can be applied within the decision tree framework. This alternative methodology was presented to parties during a technical conference in July 2021 and was the subject of initial and reply comments in August and September. Without waiving previous positions, the JU believe that this proposal considers concerns of non-utility parties and presents an analytical method that can be readily and consistently implemented in utility rate cases. In addition to standby rate design, the JU continue to urge the following (1) rejection of long-term non-transparent subsidies for stand-alone storage facilities; (2) affirmation that storage projects continue to pay delivery charges; (3) rejection of the claim that Buyback Contract Demand Charges are neutral to storage providers and customers because the providers flow their costs into wholesale bids; (4) maintenance of Buyback Contract Demand Charges for energy storage systems; (5) rejection of maintenance of the reliability credit or the change of application of the credit from Contract Demand Charges to daily as-used demand charges, and (6) rejection of grandfathering current standby rate customers.

The Accelerated Renewable Energy Growth and Community Benefit Act (the "ARECB Act") and related Proceedings and Orders

On April 3, 2020, Governor Cuomo signed the ARECB Act into law in recognition that achieving the CLCPA climate protection targets requires restructuring and repurposing the State's electric transmission and distribution infrastructure. The ARECB Act has resulted in activities as discussed further below under the Renewable Energy Facility Host Community Benefit Program and Transmission Planning Proceedings subheadings.

Renewable Energy Facility Host Community Benefit Program

On February 11, 2021, the Commission issued Order Adopting a Host Community Benefit Program to provide residential electric utility customers within a Host Community an annual bill credit. The credit will be provided on electric utilities' bills for accounts of residential customers within the town or city that hosts a Facility. The Renewable Owner will pay an annual Program Fee for ten years, in the amount of $500 per MW and $1,000 per MW of nameplate capacity for solar and wind facilities, respectively. Central Hudson filed its Implementation Plan for the Host Community Benefit Program for Commission consideration and approval on September 30, 2021.

Transmission Planning – Accelerated Renewable Energy Growth and Community Benefit –

On May 14, 2020, the Commission instituted a proceeding on Transmission Planning pursuant to the ARECB Act to develop and consider proposals for implementing the distribution and transmission upgrades, capital expenditures and planning. The ARECB Act directs the Commission to develop and implement plans for future investments in the electric grid to ensure it will support the State's aggressive climate goals.

On November 2, 2020, the JU filed the Utility Transmission and Distribution ("LT&D") Investment Working Group Report which included specific proposals for categorizing LT&D projects into Phase 1 and Phase 2 based on actionability and addressing various components of project planning and prioritization, including a benefit-cost analysis proposal.

The Commission issued Order on Phase 1 LT&D Project Proposals on February 11, 2021. The Order addressed certain aspects of the proposed project assessment criteria filed by the JU which includes Phase 1 and Phase 2 LT&D project categories, and directed the JU to proceed with development of the Phase 1 projects which have been incorporated into the Utilities' capital planning processes and rate plans. To the extent proposed projects are not included in rate plans, they shall be included, with supporting information, in the JU's next rate filings. If projects are needed to meet CLCPA deadlines sooner than can be achieved through a utility's next rate filing, the utility may file a separate petition. The utility should consider whether projects can be reprioritized within its current budgets before filing a petition for additional cost recovery. Semi-annual reports detailing the status of the funded Phase 1 projects are required. Staff filed a straw proposal on March 16, 2021, setting forth proposed study methodologies that will generate an improved understanding of system headroom for the purpose of evaluating the CLCPA benefits of potential projects. Comments on Staff's proposal were filed June 22, 2021. Central Hudson filed its first semi-annual report regarding the status of the funded Phase 1 projects on July 1, 2021.

On March 19, 2021, in the proceeding reviewing the NYISO Public Policy Transmission Needs for 2020, the Commission issued an Order that found that certain aspects of the CLCPA regarding offshore wind are driving the need for additional transmission facilities between Long Island and New York City, and therefore constitute a Public Policy Requirement ("PPR"). In particular, the CLCPA requires the Commission to establish programs whereby (1) a minimum of 70 percent of electricity is derived from renewable sources by 2030 and (2) at least 9,000 MW of offshore wind is procured by 2035. The Commission referred the identified PPR to the NYISO for the solicitation of potential solutions and the preparation of analyses related to those solutions.

On September 9, 2021, the Commission issued an Order that addressed the CLCPA investment criteria and Phase 2 upgrades and improves headroom calculations and visibility of headroom data to stakeholders. The Order identifies the need to better align the proposed benefit cost analysis approach with CLCPA objectives. The Order directs the JU to coordinate with NYSERDA, the NYISO and DPS Staff on various compliance filings which are due between December 2021 and March 2022.

Electric Generation Facility Cessation Mitigation Program ("Mitigation Program")

On April 8, 2020, the State Energy Planning Board adopted an amendment to the State Energy Plan directing the Commission to develop a mechanism to provide a stable source of funding for the Mitigation Program. On February 11, 2021, the Commission issued an Order that authorizes NYSERDA to enter into a memorandum of understanding ("MOU") with Empire State Development for the use of uncommitted funds from legacy programs in the amount of approximately $12.5 million per year through 2030, not to exceed $112.5 million in total, to create a stable source of funding for the Mitigation Program. In compliance with the Order, NYSERDA updated the BAYG terms to specify the Mitigation Program as a component of the requisition process to access the funds from the investor-owned electric distribution utilities. NYSERDA filed the MOU on March 11, 2021. The updated BAYG agreement went into effect on June 1, 2021. NYSERDA is required to file annual reports beginning March 16, 2022 on funding amounts made, paid and refunded during the previous calendar year as well as beginning and ending cash balances.

Energy Storage

On April 16, 2021, the Commission issued an Order in Case 18-E-0130 directing modifications to energy storage solicitations. In the Order, the Commission adopted the JU request to extend the in-service date for qualified projects by three years to December 31, 2025 and to extend the maximum contract duration from seven to ten years. However, the Commission denied the JU proposal for a utility ownership model of energy storage assets finding that competitive ownership of energy storage assets and of DER is a core principle, noting that existing limitations on utility ownership of energy storage should be maintained. On May 14, 2021, in compliance with the Order, Central Hudson filed its Implementation Plan for a competitive direct procurement process to deploy a total of at least 10 MW of qualified energy storage systems. The updated plan provided preliminary details regarding the procurement process. In accordance with the Implementation Plan, Central Hudson filed draft Request for Proposal ("RFP") materials on August 23, 2021 for the purposes of stakeholder review and feedback prior to the formal solicitation. The final RFP and contract documents were released on October 4, 2021. The Company plans to begin contract negotiations with winning bidder(s) by July of 2022, following an initial bidder qualification process and two rounds of proposal submittals.

Cyber Mutual Assistance ("CMA") Program Equipment Transfers

On July 15, 2021 the Commission issued an Order granting the JU request for pre-authorization of future leases and/or transfers of equipment made by electric and/or gas utilities participating in the CMA Program. The CMA Program was developed to counter the increasing and evolving threats to the cybersecurity of energy infrastructure. The order requires utilities to notify the Commission of their CMA membership status, to notify DPS Staff whenever they request, receive or provide assistance under the CMA program and to provide the Director of the Office of Resilience and Emergency

Preparedness with notice of the impact of any cyber security threat. Central Hudson filed notification of its membership in the CMA program on August 13, 2021.

Central Hudson Management and Operations Audit

In a July 16, 2018 Order, the Commission approved Central Hudson's Revised Audit Implementation Plans filed on December 14, 2017 and June 26, 2018. The Company's implementation plans addressed the Overland Final Audit Report released October 24, 2017 that included 55 recommendations. On March 15, 2021, Central Hudson filed its update reporting that it considered all audit recommendations complete. On September 20, 2021, DPS Staff filed a letter confirming the completion of its implementation oversight of these recommendations.

Clean Energy Fund Backstop

In 2016, the Commission determined that NYSERDA may need a guarantor, i.e., a backstop to address the financial risk associated with meeting renewable energy credit procurement obligations to generators under the Clean Energy Standard ("CES") and that electric utilities are best situated to serve that role, subject to recovery from customers. Subsequently, the Commission expanded the backstop concept to include zero emission credits and offshore wind renewable energy credits, the CES Build-Ready Program, and all CES programs. On July 1, 2021, NYSERDA filed its Proposed Clean Energy Standard Financial Backstop Collections Process with the Commission. In comments filed on September 27, 2021, the JU urge the Commission to reject NYSERDA's backstop proposal because it would trigger additional and potentially significant collections from customers based on a summary of undefined reports and forecasts without public review or Commission action in contradiction to the Commission's direction for transparency. Instead, the JU urge the Commission to adopt their proposal based on a simpler, transparent, and public review of cash working capital that should prevent unnecessary increase in customer bills while providing NYSERDA with sufficient funds to meet its CES procurement obligations and cash needs for the Build-Ready Program.

FORWARD-LOOKING STATEMENTS

Statements included in this Quarterly Financial Report, which are not historical in nature, are intended to be "forward-looking statements." Forward-looking statements may be identified by words such as "anticipates," "intends," "estimates," "believes," "projects," "expects," "plans," "assumes," "seeks," and other similar words and expressions. CH Energy Group is subject to risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements. The risks and uncertainties include, but are not limited to: deviations from normal seasonal temperatures and storm activity, changes in energy and commodity prices, availability of energy supplies, a cyber-attack, changes in interest rates, poor operating performance, legislative, tax and regulatory developments, the outcome of litigations, the COVID-19 pandemic, and the resolution of current and future environmental and economic issues. Additional information concerning risks and uncertainties may be found in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of CH Energy Group's Quarterly and Annual Financial Reports. These reports are available in the Financial Information section of the website of CH Energy Group, at www.CHEnergyGroup.com. CH Energy Group undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.